FINANCIAL TIMES

Software sales

Internet favours the small and nimble

Technology, Page 10

Conflict prevention

If you can film it, it isn't working

Edward Mortimer, Page 12

American Express

Golub goes all out for links with banks

Page 13

Belgium

Cooking the books to qualify for Emu

Page 3

World Business Newspaper http://www.FT.com WEDNESDAY JANUARY 29 1997

Clarke says UK could be in first wave of Emu

UK chancellor Kenneth Clarke (below) denied that the UK was unlikely to be in the first wave of those joining European monetary union, following a cabinet statement that monetary union was "very unlikely" to take place on time on January 1 1999. Mr Clarke said that if the single currency went ahead as little as six months later, Britain might well join. Meanwhile, Robin Cook, the opposition Labour party's foreign affairs spokesman is advising fellow European Union states that a Labour government would not be in the first wave of those joining. Page 14; Interviews, Page 9

LucasVarity considers buy-backs: Anglo-US engineering group LucasVarity raised the prospect of reducing dividend payments and rewarding investors instead with share buy-backs. Page 15; Lex, Page 14

Bearings maker to switch investments: FAG Kugelfischer, Germany's biggest maker of roller bearings announced a switch in its investment programme away from Europe to reflect the greater opportunities for growth in Asia and North America. Page 15

Brussels attacks import barriers: The European Commission threatened to take France, Italy, Belgium, Germany and Spain to court for allegedly blocking on spurious grounds the sale of goods from other EU states. Page 3

Brazil averts row over food imports: A row between Argentina and Brazil has been averted by Brazil's decision to delay new requirements for health clearances on food imports. Argentinians will use the breathing space to try to overturn the measures. Page 8

Shipyard subsidies threatened: US trade officials were attempting to salvage a multilateral pact to eliminate shipbuilding subsidies in OECD countries in the face of opposition from Senate majority leader Trent Lott. Page 8

Japan sets out plan to control deficit: The Japanese government is planning legislation to bring its growing budget deficit under control over the next decade, using targets similar to those used by the European Union for its planned single currency. Page 6

Hong Kong to join IMF rescue fund: Hong Kong is to take part in an IMF emergency fund to help countries threatened with economic crises. The move is seen as an important step in the territory's bid to secure its position as a financial centre before its return to Chinese sovereignty. Page 6; Lex, Page 14; Albania seeks help from IMF, Page 2

Rover exports top 50% of sales: UK carmaker Rover, owned by BMW of Germany, last year sold more vehicles outside the UK than in it for the first time. Page 9

Israel plans Bezeq sell-off: The Israeli government plans to sell a 28 per cent stake in state-owned telecommunications network Bezeq this year and reduce its stake to zero as soon as possible, communications minister Limor Livnat said. Page 15

Novartis to increase dividends: Pharmaceuticals group Novartis, formed from the merger of Basle rivals Ciba and Sandoz, plans to increase its dividends to more than 30 per cent of retained earnings, chief executive Daniel Vasella said. Page 15

Zeneca expects £1bn profits: Zeneca, the UK's third biggest pharmaceuticals company, said profits for 1996 would be in line with expectations of about £1bn.

Spain leads France in tourism earnings: Spain overtook France in tourism earnings last year, figures from the Madrid-based World Tourism Organisation show. Page 8

Test drawn: A last-wicket stand of 106 gave New Zealand a draw against England on the final day of the first cricket test at Auckland. At lunch the home team had been facing an innings defeat. Scores: England 521; New Zealand 390 and 248 for nine.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,742.86	(+81.97)
NASDAQ Composite	1,289.55	(+16.74)
Europe and Far East		
CAC40	2,482.76	(+47.59)
DAX	2,909.33	(-5.20)
FTSE 100	4,237.4	(+25.4)
Nikkei	17,796.57	(+461.67)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.166%
Long Bond	95⅞
Yield	6.866%

OTHER RATES

UK: 3-mo Interbank	6¼%	(same)
UK: 10 yr Gilt	100⅝	(100⅛)
France: 10 yr OAT	106.67	(106.25)
Germany: 10 yr Bund	101.72	(101.49)
Japan: 10 yr JGB	104.4934	(104.6711)

NORTH SEA OIL (Argus)

Brent Dated	$22.80	(22.555)

GOLD

New York: Comex		
Feb	[illegible]	(357.3)
London:		
close	$353.15	(354.75)

DOLLAR

New York: lunchtime		
£	1.6167	
DM	1.64975	
FFr	5.5695	
SFr	1.4288	
Y	121.285	
London:		
£	1.61	(1.6235)
DM	1.6511	(1.6376)
FFr	5.57	(5.5206)
SFr	1.4296	(1.4146)
Y	121.15	(119.35)
Tokyo close:	Y 119.86	

STERLING

DM	2.6583	(2.6586)

South Korea fears corporate bankruptcies after collapse of Hanbo building group

Seoul to support banks with $7bn

By John Burton in Seoul

South Korea's finance ministry will inject $7bn of emergency funds into the banking system over the next week, in a bid to prevent any corporate bankruptcies in the wake of the collapse of Hanbo, the steel and construction group.

Mr Kim Young-sam, the South Korean president, yesterday cancelled a trip to Europe planned for March, to deal with the biggest financial crisis of his administration.

The finance ministry said yesterday that central bank funds would be used to avoid a credit crunch among Hanbo's subcontractors and shore up banks that lent almost $6bn to Hanbo for an ill-fated steel project.

Hanbo's main steel and construction subsidiaries yesterday filed for court receivership.

Its main creditor banks promised to finance the completion of the $6.7bn steel mill that brought down the group. The steel mill would be sold later to recover part of the Hanbo loans.

In an attempt to boost the Seoul bourse, the government announced it would allow local unit trusts to launch at least $1bn in equities funds for foreign investors. But the market reacted coolly to the measures by closing 0.27 per cent lower at 662.85 points after a day of volatile trading.

Prosecutors launched an investigation into how Hanbo secured such huge loans despite its shaky financial position.

Police raided the home and offices of Mr Chung Tae-soo, Hanbo's founder, and barred the heads of Hanbo's four main creditor banks from leaving the country.

Mr Kim ordered the probe into the Hanbo loan scandal after opposition parties alleged that corrupt government officials exerted pressure on the banks to provide credit to Hanbo.

The Hanbo scandal has further embarrassed Mr Kim's administration, which has suffered a sharp fall in popularity owing to strikes and public protests over a controversial labour law that the government pushed through parliament a month ago.

Analysts believe the labour strife and the Hanbo collapse could harm the ruling party's chances in this year's presidential election, which will choose Mr Kim's successor. The opposition yesterday questioned the impartiality of the official investigation into Hanbo.

It described key justice officials as being close political allies of Mr Kim. "It is all too predictable that the investigation will end in a cover-up," said a spokesman for the main opposition party.

The opposition is demanding a bipartisan parliamentary investigation and the appointment of a special independent prosecutor, but the government has rejected these proposals.

Meanwhile, the outlawed union umbrella group that orchestrated this month's industrial protests yesterday said it was ending its weekly strikes to prepare for a nationwide stoppage next month.

It is uncertain whether the Confederation of Trade Unions will be able to revive the dissipating anger among workers for another nationwide strike, set for February 18.

The confederation is demanding that the government nullify a new labour law passed in December that provoked the industrial action. The labour action cost about $2bn in lost production, according to the government.

In his grasp: Aslan Maskhadov yesterday appeared to be the easy winner of Chechyna's presidential election Report, Page 14 Reuters

Wall Street rises on weak labour costs

By Gerard Baker in Washington

Wall Street was buoyed yesterday by further evidence of the weakness of inflationary pressures in the economy.

Overall employment costs rose by just 2.9 per cent last year, the labour department said. Although a slight increase from a year earlier, this was still well short of the acceleration in costs normally associated with the current low rate of unemployment.

In late afternoon trading the Dow Jones industrial average, which had been up more than 100 points earlier in the session, was nearly 50 points higher at 6,708.41, after four consecutive days of decline.

The benchmark 30-year treasury bond recovered much of the ground it had lost last week. By mid-morning it was up 1¼ points, with the yield falling to 6.85 per cent from 6.94 per cent late on Monday.

Markets shrugged off the closely watched consumer confidence report, also released yesterday, which showed US consumers more confident about their economic circumstances than at any time this decade, an indication they might be about to embark on a spending spree that could re-ignite inflation.

The labour department said total employment costs rose by 0.8 per cent in the last three months of 1996, a slight acceleration from the previous quarter, but still much more slowly than many Wall Street economists had feared. With productivity growth for the

Continued on Page 14
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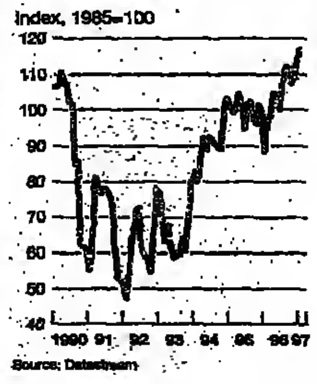
US consumer confidence



Source: Datastream

Beijing buys into HK's power

Citic Pacific to spend $2.1bn for 20% stake in China L&P

By John Ridding and Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong arm of the Chinese government's flagship investment vehicle, is paying HK$16.25bn ($2.1bn) for a 20 per cent stake in China Light & Power, one of the territory's biggest utility companies and the monopoly electricity supplier to the Kowloon peninsula.

The deal is the latest step in a re-shaping of Hong Kong's corporate landscape ahead of the territory's return to China in July. Both companies said it would strengthen their operations and that the alliance would help develop power projects in China.

Citic Pacific, which is headed by Mr Larry Yung, son of China's vice-president, said it would participate actively in the development of CLP and that the move was part of its strategy of expanding its infrastructure activities.

"CLP's financial strength and management, together with Citic Pacific's relationships in China, will put CLP in a very strong position," said Mr Michael Kadoorie, chairman of the utility. His family, one of Hong Kong's oldest business dynasties, will retain a stake of 26.6 per cent, reduced from 33.3 per cent, after the issue of new shares.

Citic Pacific said it would finance the deal internally or with bank borrowings, raising the possibility that it might sell some of its strategic shareholdings in other Hong Kong companies and prompt further corporate upheaval. Speculation centred on its 8 per cent holding in Hongkong Telecom, the territory's dominant telecommunications group, which is controlled by Cable and Wireless of the UK.

While previous deals in

Continued on Page 14
Editorial Comment, Page 13; Lex, Page 14; Balance of HK power, Page 20

Telefónica may cut share offer to foreign investors

By Tom Burns and David White in Madrid

Telefónica, Spain's telecoms group, is considering a drastic reduction in the number of shares it will offer to foreign institutions in its privatisation next month in order to meet strong demand in the retail tranche of the issue.

Mr Juan Villalonga, Telefónica's chairman, said yesterday that up to 75 per cent of the Pta600bn ($4.4bn) disposal of the government's remaining 21 per cent stake in the group could be routed to the domestic markets.

Such an allocation is unprecedented in Spain and illustrates the growth of the domestic equity market. The Telefónica disposal is three times larger than any previous share offer by the Spanish government. Past privatisations have seen at most an even weighting in the offer structure between foreign institutions and home investors.

"Our basic priority is to increase the number of shareholders," Mr Villalonga said in an interview. "Every one who wants shares in Spain will have them".

The offer for domestic small investors is already 6.4 times subscribed, less than half way through the pre-registration period for the retail tranche which opened on January 20. Mr Villalonga claimed a "really impressive success", and said domestic retail demand by yesterday totalled more than 500m shares, from some 800,000 small savers.

This demand suggests that Telefónica's issue will comfortably surpass the government's target of doubling the company's 600,000 shareholders.

The structure of the disposal contrasts strongly with Telefónica's offer document earlier this month which allocated 42 per cent of the 171m shares to be floated on February 17 to foreign institutions and 8 per cent to Spanish institutions.

The global co-ordinators of the offer – Morgan Stanley of the US and the domestic institutions Argentaria, Banco Bilbao Vizcaya and La Caixa, the Barcelona savings bank – look certain to raise the retail tranche of the offer to 60 per cent when the preregistration period ends on February 10. They could raise it further on February 17 when the book-building period ends and the final price is announced.

Mr Villalonga said Telefónica would consolidate its Latin American assets, and use its cash flow to lower its debt.

Presentations for international investors begin at the end of this week. Mr Villalonga said he would emphasise Telefónica's growth potential in Spain, where telephone usage is below the western European average, and in Latin America where Tisa, its international unit, controls and manages local operators in Argentina, Brazil, Chile and Peru.

Villalonga brings banker's mind to telecoms, Page 19

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Rexrodt under fire on cable TV sell-off

By Ralph Atkins in Bonn

Mr Günter Rexrodt, Germany's economic minister, was slapped down yesterday by a cabinet colleague when he proposed that Deutsche Telekom, Europe's largest telecommunications group, should sell its extensive cable television network.

Mr Rexrodt said such a sale would send "a positive signal" about Germany's commitment to competition and reduce barriers to entering the telecoms and multimedia markets. But his remarks provoked a swift reaction from Mr Wolfgang Bötsch, post and telecommunications minister, who accused Mr Rexrodt of making "careless comments" and of creating confusion by straying into areas beyond his responsibility.

Deutsche Telekom's cable network connected 16.7m households at the end of last year and had a turnover of DM2.5bn ($1.57bn) in 1995. Analysts believe it could be worth DM10bn. Mr Bötsch said the federal government had no powers to force a disposal, and that there were already measures in place to ensure access to the market by rivals.

He said Mr Rexrodt's view was an "isolated opinion" and did not reflect any agreement within the government.

The row came ahead of a meeting today at the post and telecommunications ministry when would-be competitors will demand Germany establishes a strong and effective regulatory authority after the abolition of Deutsche Telekom's monopoly in public telephone services from January next year.

Possible new public services providers, including overseas companies, fear a politically driven regulatory system that protects the interests of Deutsche Telekom, still majority-owned by the state even after its partial privatisation in November. There has already been alarm at the prospect of licences costing more than DM40m – and of a delay in the introduction of an effective regime.

The German chamber of industry and trade said in its submission released yesterday that the aim should be "the breaking-up of former monopolies and the creation of competition". An independent regulatory authority was "a must", it declared.

Mr Rexrodt's remarks might provide some cheer because his ministry is expected to take responsibility for the new telecoms regulatory authority after Mr Bötsch's department is dismantled at the end of this year.

Possible competition abuses by European groups controlling cable as well as telephone services are being investigated by the European Commission. Some observers argue that by keeping a tight rein on its cable business, Deutsche Telekom is preventing the network being used to offer a rival telephone service.

Gibraltar in attack on Spain over 'isolation'

By Emma Tucker in Brussels

Mr Peter Caruana, the chief minister of Gibraltar, yesterday launched a fierce attack on Spain's treatment of the British colony during a high-profile visit to Brussels.

The minister, elected last year, accused Spain of actively seeking the exclusion of Gibraltar from crucial European Union matters as if the Rock "were not an intrinsic part" of the EU.

"The people and government of Gibraltar condemn Spain for seeking to isolate Gibraltar from the EU and for eroding and curtailing the legitimate exercise of our EU rights," said Mr Caruana.

In Brussels to seek EU assistance in resolving some of Gibraltar's grievances against Spain, Mr Caruana listed a number of "abuses" by the Spanish authorities.

Among these he cited a ban on maritime and air links between Spain and Gibraltar, restrictions placed on airlines approaching Gibraltar airport, a refusal by Spain to recognise Gibraltarian identity cards, and a refusal to recognise the island's international telephone code.

Mr Caruana said the Gibraltar government delegation in Brussels would urge the Commission to initiate legal proceedings against Spain where there were clear breaches of the EU treaty.

"Spain operates the land border in a way that often leads to very long delays in crossing," said Mr Caruana. "There are no red and green customs channels in operation, most vehicles are inspected and traffic is channelled into a single file regardless of volume. Such border regimes are unknown in the western world let alone within the European Union."

Mr Caruana's visit has prompted hostility in the Spanish press. The Spanish authorities are wary of any moves by Gibraltar to represent itself on the international stage, preferring it to operate via the British foreign office. Britain had welcomed Mr Caruana's less abrasive style.

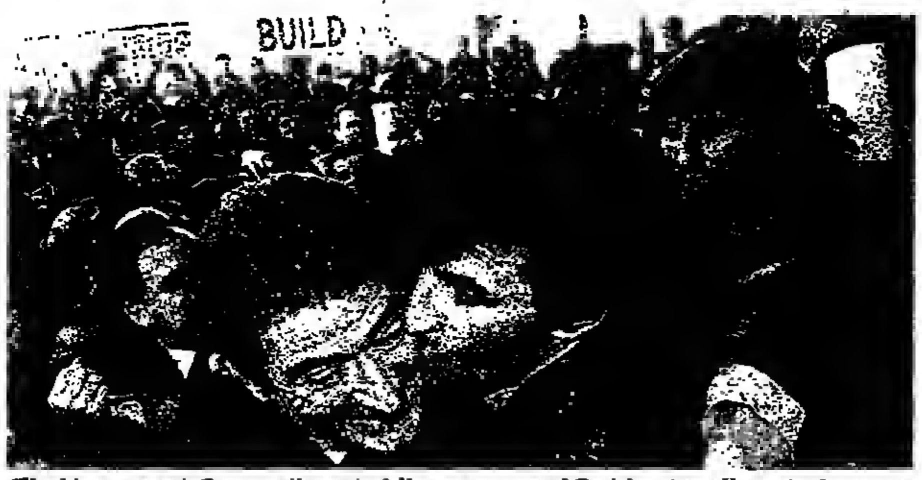
It was hoped that his appointment would help to revive the stalled dialogue between London and Madrid over crime and smuggling in Gibraltar and plans for the shared use of the local airport.

However, the improved atmosphere has been overshadowed by the decision of Mr Caruana's government to follow its hardline predecessor's policy of boycotting the talks on the grounds that officials from the colony are not given powers of veto.

"The government of Gibraltar wants and seeks good, neighbourly relations and mutual co-operation with Spain but we do not believe that in the Europe of today we are entitled to these things only if we agree to disappear from the map of Europe and succumb to Spanish aspirations over Gibraltar," said Mr Caruana.

Albania seeks help from IMF

By Kevin Done and Kerin Hope in Tirana



Clinching support: Democratic party followers surround Berisha at a rally yesterday Reuter

The Albanian finance ministry and central bank are seeking help from the International Monetary Fund to overcome the financial crisis caused by the collapse of fraudulent pyramid investment schemes.

The timing of a mission from the IMF, expected in Tirana soon, has become highly sensitive, as President Sali Berisha's rightwing government struggles to find ways of delivering its promise to reimburse desperate investors, while avoiding the danger of triggering runaway inflation.

"The situation is dynamic," said a western financial official in Tirana. "It is important to regulate the liquidation of these schemes and to find ways of minimising the economic and political costs."

Western governments, in particular the US, have been pushing for democratic and economic reforms in the wake of the country's controversial general election last summer, in which the ruling Democratic party scored an overwhelming victory amid allegations of ballot rigging, intimidation and violence.

Albania had been seen as one of the success stories of transition in east Europe and a model pupil of the IMF by embracing privatisation and achieving the highest rate of economic growth and one of the lowest inflation rates in the region.

After a strong start from mid-1993 to mid-1995, the first $63m IMF programme ran into trouble as the government switched its attention to ensuring a general election victory. Measures planned for the third year were not carried out and the programme lapsed in mid-1996.

IMF officials began negotiations with Albania last autumn on a new three-year economic support programme, but the talks have taken on a sudden urgency, as the collapse of the pyramid schemes has sparked several days of violent protests across the country.

The government now faces desperate policy choices, as it tries to balance the IMF demands for far-reaching reform, in particular of the banking system and the budget, with the commitment given by Mr Aleksander Meksi, prime minister, to start paying back defrauded investors as early as next Wednesday, a process that threatens to undermine the budget and stoke inflation.

"There is no easy solution to this. There is going to be a lot of disruption in Albania, however the problem is approached," a western official said.

While some of the pyramid schemes have collapsed or have had their deposits in state banks frozen, the government has yet to tackle the problem of some of the country's leading private-sector companies, which have also been taking deposits at high interest rates.

These companies claim the deposits are used to finance productive investments, but in the absence of any published balance sheets or other financial information, bankers have expressed concern over the quality of their assets.

Some of the companies claim to be among Albania's biggest employers and have a close relationship with the government, having backed the Democratic party to win the election.

Villagers vote for a neighbour

Chrystia Freeland visits the new Chechen president's home

After staying up all night to watch the ballot count on television, the delighted villagers of Pervomaysk were preparing to slaughter their sheep and fire their rifles into the air yesterday in celebration of the election of their kinsman and neighbour, Mr Aslan Maskhadov, as Chechnya's president.

"He is a good neighbour and he will be a good president," said Mrs Asya Allabaieva, standing outside the ornate green gate to her courtyard. "He is a simple, direct man, and he can find a common language with everyone. With him we will have peace."

Thousands of miles away, amid the traffic-choked streets of Moscow, the reaction to Mr Maskhadov's triumph was almost equally enthusiastic. Although he was the military leader of Chechnya's two-year battle to drive out the Russian army, the Kremlin sees Mr Maskhadov as a man with whom it can do business.

Last summer, Mr Maskhadov negotiated the five-year postponement of a formal resolution of Chechnya's status, giving Moscow the fig-leaf it needed to withdraw.

He was was also helped by the emergence of Mr Shamil Basayev as a powerful electoral rival. Mr Basayev achieved mythic status nearly two years ago by leading a hostage-taking raid on a hospital in the southern Russian city of Budennovsk. In Moscow, that exploit made Mr Basayev public enemy number one, and the prospect of him being elected president of Chechnya has been tormenting Kremlin officials for weeks.

But Russia will be sorely mistaken if it imagines that under Mr Maskhadov's leadership Chechnya will abruptly set aside its separatist ambitions. "If Aslan had wanted to make a compromise with Russia, he would have done it two years ago, before fighting and winning this costly war," argued Mr Alkhazur Abdullaiev, a bodyguard keeping watch outside Mr Maskhadov's home.

As he leaned on a rifle adorned with Arnold Schwarzenegger stickers, Mr Abdullaiev insisted the new president "will bring freedom and independence to Chechnya, because he led our fighters to their victory."

Mr Maskhadov's biography appears to confirm his bodyguard's analysis. Like all the Chechens of his generation, the 45-year-old war leader was born on the wind-swept plains of Kazakhstan, to which Stalin had exiled the entire nation in the 1940s.

As his older sister recalled yesterday, when Mr Maskhadov was just a year old, a gypsy fortune-teller predicted he would become a famous general. Even as a small boy he showed an aptitude for guns and a keen interest in military strategy. After the family returned to Chechnya, Mr Maskhadov began to build a career out of his boyhood passion and rose quickly in the ranks of the Soviet army, serving in the Far East and Hungary.

The turning-point came in the late 1980s, when Mr Maskhadov, by then a colonel, was posted to Lithuania. His move coincided with the Baltic state's pioneering bid for independence. After four years there, he returned home to help Chechnya pursue the same course.

"He learned from Lithuania," said Mrs Sulva Maskhadova, the new president's niece. "He said the Lithuanians did the right thing, and then he came back here and told us, 'Right, if the Lithuanians can do this, then it must the proper course for my people, too'."

Since that innocent moment, Mr Maskhadov and the Chechen people have proved their commitment to independence by waging a long and bloody war against soldiers they describe as "the Russian occupiers". After the euphoria of the week's election dissipates, even more difficult times may lie ahead.

Mr Maskhadov's first challenge will be to find a *modus vivendi* with Mr Basayev, who won one-third of the vote and commands a passionate following among the separatist fighters. Moscow observers have warned that a disgruntled Mr Basayev might make an physical bid for power, provoking a new civil war.

Yesterday, that seemed unlikely. Until just a few months ago, the two rivals were the closest of comrades. Mr Maskhadov's only grandchild is named Shamil in Mr Basayev's honour and, as the votes came in, Mr Basayev's aides said their candidate might well accept a cabinet position in the new administration.

Much more difficult to manage will be Chechnya's relations with Russia. The best anyone can hope is that neither side will expose too aggressively the elaborate hypocrisy that brought an end to the war.

With luck, the Kremlin will continue to insist that Chechnya is a part of the Russian Federation while carefully ignoring the fact that Moscow's writ is powerless within Chechnya's borders. Chechnya, in turn, will continue to behave like an independent state without being too bothered by Russia's pronouncements. It is a nakedly false arrangement, but it is all that separates Chechnya from another war.

Will Mr Maskhadov succeed in establishing an independent Chechnya? "What kind of question is that?" Mrs Allabaieva exclaimed. "We already consider Chechnya independent. Even the smallest child knows that."

French water groups attack watchdog report

By Andrew Jack in Paris

The leading French water companies yesterday lashed out at a critical report from the Cour des Comptes, the public sector watchdog, into the management and provision of water supplies across the country.

The report highlighted sharp rises in prices over the last few years, lack of transparency in the way contracts have been managed and inefficient administration.

Its conclusions are significant partly because the water companies cited are increasingly involved in contracts and control of operators outside France. The analysis also has implications for local authorities handling water contracts across the EU.

The report says water rates outside Paris have increased on average by nearly 50 per cent in 1990-94, partly in response to the heavy investment required to improve quality. This made "vigorous management even more necessary".

The Cour des Comptes criticises excessive dispersion to small local authorities managing water contracts, imperfect supervision of and inadequate competition for contracts, and poor levels of information.

However, Générale des Eaux, the utilities group called the criticisms largely "out of date", stressed the high levels of control which now exist and said the approach in France was widely praised abroad.

Lyonnaise des Eaux, its leading rival, said the report concluded that overall water management was generally satisfactory, and drew attention to three recent laws which have intensified competition and transparency.

The latest revelations come after Lyonnaise last week took the unprecedented step of suing the French government for failing to meet its legal obligations under EU directives to limit nitrate levels.

The action served partly to demonstrate to the consumer that private contractors often receive criticism for water quality and high tariffs when responsibility is shared with local authorities and national government.

Joué-les-Tours in central France, one of the authorities highlighted in the Cour des Comptes report after a 112 per cent increase in tariffs in 1990-94, yesterday stressed it was fighting to reduce rates.

The official report made no comment on the extensive allegations of political party contributions and bribery which have surrounded a number of companies providing water and other services to local authorities in the past, and which have triggered a series of judicial investigations.

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Proposals on German pension system reject radical shake-up

By Peter Norman in Bonn

The report of the German government's pension reform commission chaired by Mr Norbert Blüm, the labour minister, has confirmed expectations it would renounce a radical reform of the country's pay-as-you-go pension system.

Published this week it rejects the transition to a funded system for Germany's state pension system, as urged last year by the government's council of economic advisers.

It urges expansion of company and private pension provision, but proposes reduced pensions and increased contributions as the main way of enabling the present "contract between the generations" to cope with increased life expectancy and the pressure this puts on contributors.

The commission proposes a "demographic component" in the way pensions are calculated that will result in a fall in pay-outs to about 64 per cent of average net incomes by 2030 from around 70 per cent at present.

If adopted, this would limit the increase of contributions, which are shared by employers and employee, to 22.9 per cent of gross wages, against 20.3 per cent today and an anticipated jump to 25.9 per cent if pensions are not cut.

Mr Blüm's commission has urged a crackdown on loopholes that allow some self-employed and those with low-paid second jobs to stay out of the system.

It also wants the taxpayer to contribute around DM17bn ($10.6bn) a year to a "family fund" that would pay costs assumed by the state in connection with bringing up children, including pension contributions in periods when parents leave the labour force.

The government's tax reform commission, which reported last week, included politicians as well as experts and produced recommendations due to form the basis of draft legislation. The Blüm Commission comprised pension specialists only. Chancellor Helmut Kohl's coalition will have to determine whether its recommendations can form the basis for change.

By rejecting the tax commission's call for increased taxation of pensions and by demanding the channelling of more tax payments into the pension system, the Blüm Commission has put itself on collision with Mr Theo Waigel, finance minister, and other advocates of a marked cut in tax burdens.

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EUROPEAN NEWS DIGEST

Greeks renew farm protests

Greek farmers began a new round of protests yesterday to press economic demands despite government threats to use force to stop them blocking roads. They plan to occupy public buildings across central Greece and to block the main north-south railway.

Government officials said riot police were on standby near Karditsa in the north, scene of a rally yesterday, and the central town of Larissa, headquarters of the protest movement. The justice minister, Mr Evangelos Yannopoulos, accused Communists of being behind the protests.

Farmers are demanding lower fuel costs and cuts in value-added tax on farm equipment, higher price supports, especially for cotton, and a $1.3bn rescheduling of debts to the state Agricultural Bank. A 25-day blockade in December paralysed road traffic and left thousands of trucks stranded along highways. *Reuter, Athens*

Belgian party offices raided

A corruption scandal surrounding one of Belgium's four coalition government parties intensified yesterday when police raided the Brussels headquarters of the francophone Socialist party. The raid, in which several boxes of documents were seized, followed the arrest of two former senior Socialist officials last week as part of long-running investigations into claims that the party received bribes from Dassault, the French aviation group, in the late 1980s.

The officials, Mr Merry Hermanus and Mr François Pirot, were charged on Monday in connection with allegations that they took BFr30m ($900,000) from Dassault in 1989 as a contribution to party funds. Dassault denies any wrongdoing.

Mr Hermanus has implicated Mr Guy Spitaels, a former national minister and Socialist party president, now president of the Walloon regional assembly, in the affair by claiming he knew of the contribution. Mr Spitaels denies knowledge.

Opposition politicians have called on Mr Jean-Luc Dehaene, Flemish Christian Democrat prime minister, to drop the French Socialist party from the coalition government and call an election. Mr Dehaene says the matter is for the courts to decide. *Neil Buckley, Brussels*

Bonn insists it will make Emu

The German government insists in its annual report on the economy, published yesterday, that it will meet the criteria for European economic and monetary union despite revising upwards its forecast for this year's public deficit.

The report forecasts that the overall government deficit will be 2.9 per cent of gross domestic product in 1997, only narrowly below the 3 per cent limit prescribed in the Maastricht treaty and higher than the 2.5 per cent deficit forecast that underpins the 1997 federal budget.

Unlike the government, the private bankers' association said Germany's capacity to meet the 2.9 per cent forecast was questionable and called for the utmost determination in consolidating public budgets. *Peter Norman, Bonn*

Call for easier budget rules

Rules enforcing budgetary discipline in the future European single currency risk exacerbating recessions in EU economies, warns Professor Barry Eichengreen, an economics professor at the University of California. He argues that countries should be allowed to run larger budget deficits when unemployment is high.

Under the budgetary stability pact agreed at the Dublin summit, countries in the single currency are penalised for running budget deficits in excess of 3 per cent of gross domestic product, the limit prescribed in the Maastricht treaty. But Prof Eichengreen says this means would be unable to use fiscal policy properly to offset rising unemployment and falling output. They would be forced to raise taxes and cut public spending in times of recession.

"By creating a structure that constrains both the monetary and fiscal independence of the Emu member states, the Maastricht treaty threatens to create an exceedingly rigid and fragile European economy," he writes in the National Institute of Econonomic and Social Research's quarterly review. *Graham Bowley, London*

Warning on euro concessions

Mr Alexandre Lamfalussy, president of the European Monetary Institute, forerunner of the European Central Bank, warned this week that concessions to countries like Britain and Denmark over the future euro payments system could hinder a smooth start to the single currency.

If countries outside European monetary union had the same access to Target (the planned payments system) as those in Emu, this could lead to increased demand for euros outside the Emu area and thus make it harder for the ECB to operate monetary policy. Germany and France strenuously oppose the British view that non-Emu countries should have unlimited access to Target.

In its recently published monetary policy framework for the ECB, the European Monetary Institute laid out various ways in which the central bank could limit the volume of intra-day credit granted to non-Emu countries under Target. *Andrew Fisher, Frankfurt*

Kuchma cracks Crimea whip

Ukraine's President Leonid Kuchma (left) yesterday asserted his political authority in Crimea by rejecting the local assembly's attempt to sack the autonomous peninsula's government. Mr Kuchma, who two years ago peacefully removed Russian separatists from office in Crimea while Moscow was bogged down in the Chechen war, made clear that only Kiev could change the local government. Foreign ministry officials claim the power vacuum caused by President Boris Yeltsin's illness in Russia has emboldened leaders in Simferopol, the Crimean capital. The majority ethnic-Russian region was transferred from Russian to Ukrainian territory in 1954 when both were part of the Soviet Union. Its status has strained relations between the two countries *Matthew Kaminski, Kiev*

Bid for Bewag confirmed

US utility Southern Company has bid for Berlin's electricity company Bewag, it was confirmed yesterday. Two German conglomerates, Viag and Veba, which are acting as a consortium, also said they would be bidding for a 50.8 per cent stake in Bewag currently held by the city. The size of bids was not revealed.

The Berlin Senate, which hopes to raise DM3bn ($1.9bn), will decide next month which bid to accept. The city's finance senator has expressed interest in selling Bewag to a foreign company, but has run into local opposition on this. The Viag-Veba bid, which is being handled through their respective subsidiaries Bayernwerk and Preussenwerk, could face opposition from the German cartel office. *Frederick Studemann, Berlin*

NEWS: EUROPE

Italy may advance its 1998 budget

By Robert Graham in Rome

Italy's treasury minister, Mr Carlo Azeglio Ciampi, has proposed bringing next year's budget forward to this summer to ensure that public accounts are in order to meet the criteria for joining the European single currency.

The proposal, floated informally in Brussels, has yet to be adopted by the centre-left coalition. But yesterday, Mr Romano Prodi, the prime minister, gava tha idea a cautious welcome.

Mr Ciampi is anxious that the budgatary change, if agreed, should be introdnced with full opposition backing, not least because the 1998 budget will seek an overhaul of pensions, reformed only in 1995. This would require a sea-change in the political atmosphere and recognition from the opposition that tackling Italy's public finances is so important as to justify consensus politics.

The opposition, however, has reacted warily, having dissociated itself from the 1997 budget measures. Mr Pierfernando Casini, leader one of its small centrist groupings, said: "Mr Ciampi's proposals merely confirm the [centre-left] Olive Tree coalition is unable to take Italy into Europe. But if be is conveying a different message to the opposition, opening up a new form of government, then we are open to dialogue."

If the budget were advanced, the package of measures would almost certainly run through until 1999. In this way Italy would also satisfy its obligation to the EU to provide (by May) a medium term convergence plan that shows clearly the measures intended to bring the budget deficit down to 3 per cent of gross domestic product and below.

The proposal reflects concern to allay fears among Italy's EU partners that its budgetary policy lacks sufficient structural adjustments to sustain the Maastricht convergence criteria. Last year's budget deficit overshot its target by L30,000bn ($19bn) to reacb 7.4 per cent of GDP. This has seriously undermined the aim of reaching a 3 per cent deficit this year.

The government had previously been considering a corrective package at the end of March or early April to find an extra L20,000bn. By waiting until later in the year, it would be able to assess more accurately the degree of the economic recovery, the level of receipts and the impact of lower interest rates on debt service. Bringing forward the 1998 budget would also get round legal problems which otherwise complicate a reform of pensions this year.

Apart from political burdles, the proposal may founder on the simple clogging up of parliamentary business. Parliament will already have to cope with a constitutional reform commission reporting at the end of June, plus legislation reforming the civil service and the public accounts.

Personal View, Page 12

Ciampi: floated idea

Belgium accused of cooking books on debt

Critics suspect financial sleight of hand, writes Neil Buckley, but government insists it is merely ensuring fair play for the country under Maastricht rules

Just as it thought it was safely on track to qualify for European monetary union, Belgium is facing some awkward quastions about the methods it is using to reduce its $300bn debt mountain.

The finance minister, Mr Philippe Maystadt, was forced to issue a four-page response to a parliamentary question last week on a programme to encourage state and "para-state" bodiea to invest in government bonds. Later this week, Eurostat, the European Union's statistical office which vets member states' accounts and statistics, is expected to examine the same issue.

Critics charge Belgium with covertly parsuading regional and local government and social security bodies, some of them in the private sector, to withdraw surpluses held with private banks and invest them in government bonds. The effect: to reduce the national debt.

In some cases, they add, funds were shifted for a matter of days, but, crucially, over December 31 – the day debt is calculated.

Since these operations do not constitute actual debt reduction, but merely moving money from one place to another, the government is being accused of "cooking the books". Mr Rik Daems, the Flemish MP who challenged Mr Maystadt, labelled it a "New Year merry-go-round of treasury certificates".

Belgium's success in debt reduction could be vital to qualification for monetary union. With gross public debt last year at 130 per cent of gross domestic product, hitting the 60 per cent Maastricht "reference value" this year is unthinkable.

Instead, since it should be able to meet the other criteria on inflation, interast rates, currency levals and government deficit, Belgium hopes that by demonstrating that its debt at least meets the definition of being "sufficiently diminishing and approaching the reference value at a satisfactory pace", it will still qualify. The ratio is projected to fall to 127 per cent this year, a 10-point drop since 1993.

Mr Maystadt and his officials argue that Belgium's unusually decentralised social security system means that, without undertaking these operations, it would be unfairly penalised by Maastricht rules.

Unlike the UK, for example, where ministries distribute central treasury funds, the Belgian welfare system is administered by an arms-length National Office of Social Security. This collects contribntions from employers and workers, plus a small state contribution, and channels funds back through five "pillars", handling unemployment benefits, health insurance, pensions, subsidised bolidays for certain workers, and cbild allowances.

Within each pillar, public institutions pass the money to private sector social funds, often set up by particular sectors or unions. Many social funds, of which all Belgians are members, predate creatioo of the national welfare structure after tbe second world war, or even Belgium's foundation in 1830.

According to wben funds are received and paid out, surpluses develop at various points in the pillars. Since the money is often beld in private banks, under Maastricht rules it is not taken into account in debt calculations. Belgium's extensive local government bodies similarly often hold surpluses in private banks.

The only way to stop Belgium being penalised, officials say, is to persuade local government and social funds to invest surpluses in public bonds to ensure the money is taken into account.

They add that the government openly announced its intentions when it presented the 1997 budget last October.

What the governmeot did not make explicit, however, was that many operations would be short-term. Officials admit some last only days, since demanding that public bodies shifted funds out of private banks rapidly and permanently could cause a banking crisis.

Officiala argue tbe operations are "structural" since they are being carried out wbenever possible during the year, not just in December, and are part of a general overbaul of social fund management.

Not everyone is convinced. Critics claim the fund shifting inclndes not just local government and social funds but even publicly-owned enterprises – a charge the government denies.

They add that welfare payments traditionally made in December bave been shifted to January 2 to maximise available funds at the year's end. Officials say paymeot dates are uncbanged and long established.

Economists dispute that tbat the operations can be called structural. "They are 'structural' ooly to tbe extent that they will happen every year," says Mr Peter Praet, chief economist at Belgium's biggest bank, Générale de Banque.

Mr Johan Van Overtveldt, a Flemish economic journalist, last week suggested the true reduction in Belgian debt was being so beavily overstated that its budget deficit figures might also be higher than official calculations. The government has not responded to his analysis.

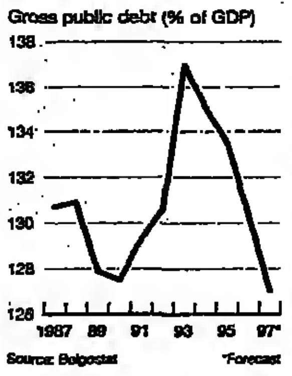
Mr Praet believes there is no economic argument against the operations. But, given they amounted to only BFr120bn ($3.5bn), or about 1 point of the 3.5 percentage point debt reduction plan this year, and are open to misinterpretation, they may be ill-advised.

They could damage the credibility of wbat he regards as an otherwise sound programme, whicb includes using a BFr222bn surplus on gold sales and a BFr75bn privatisation package.

Eurostat is now tbougbt likely to scrutinise the operations, and, after being criticised for approving a controversial French plan to use FFr37.5bn in pension fund transfers from France Télécom to reduce the budget deficit, could take a tougher line this time. Belgium's Maastricht headache may not be over yet.

Belgian debt

Gross public debt (% of GDP)



Source: Belgostat *Forecast

Bulgarian Socialists determined to retain power

By Theodor Troev and John Hamilton in Sofia

Bnlgaria's governing Socialists yesterday brusbed aside weeks of demonstrations, strikes and calls for early general elections and insisted on their constitutional right to try to form a new government.

In so doing, Mr Nikolai Dobrev, the former interior minister, rejected President Petar Stoyanov's advice to surrender immediately the mandate to form a government – which tha president had been obliged to offer under the constitution – and open the way for a caretaker government.

The premier-designate stood by the Socialists' constitutional right as the largest party in parliament to a renewal of the four-year mandate they won at elections in December 1994.

The decision was quickly condemned by Mr Ivan Kostov, leader of the opposition Union of Democratic Forces (UDF). "If the Socialists form a cabinet it will last for only two or three months, and we will face a moratorium on the foreign debt no later than June," he warned.

Mr Dobrev said ha would use the mandate to try to form a broad spectrum government of experts.

This is a device used by the Socialists in 1990 and again from 1992-94 to retain power behind the facade of a non-party government.

Mr Stoyan Alexandrov confirmed yesterday that he had been approached to join the proposed government but had declined. As finance minister in the second such government, be renegotiated Bulgaria's then $8.6bn London Club commercial bank debt in 1994.

"I would not like to be part of a government in this parliament," he said yesterday.

Mr Georgy Parvanov, the Socialist party secretary, said his party bad drawn np an anti-crisis programme which inclnded legislation to introdnca a currency board as proposed by the International Monetary Fund last November.

The BSP argues that a currency board must he introduced before parliament is diasolved so that elections can take place towards the end of the year with the financial strait-jacket in place.

The UDF argues that elections must take place as soon as possible so that the incoming government has a clear mandete to introdnce a tongh monetary regime which ties domestic cnrrency supply to the level of reserves.

With no stable government in aight, tbe lev dropped below 1,000 to the dollar yesterday, a 50 per cent devaluation in a week.

Hyperinflation is already leading to the withdrawal of goods from stores and is wiping ont domastic savings.

At the same time, however, foreign bankers point out that rapid lev devalnation is also quickly eroding tbe valne of Bulgaria's domestic debt overhang. The high level of domestic debt posed one of the main question marks over the feasibility of a currency hoard when the idea was originally mooted two months ogo.

Brussels targets import barriers

By Emma Tucker in Brussels

The European Commission is threatening to take France, Italy, Belgium, Germany and Spain to court for allegedly blocking on spurious grounds the sale of various goods from other EU member states.

As part of a drive to shore up the single market ahead of economic and monetary union in 1999, the Commission is taking the countries to task for alleged breaches ranging from blocking imports of alcoholic drinks in France, to the refusal by Spain to sell loose tea.

The latest cases include:

- Alcoholic drinks in France. Under French law a social security contribution stamp has to be placed on all bottles of alcoholic drink with an alcobol content of more than 25 per cent by volume. This makes imports more expensive as the stamp has to be attached manually, wbereas it is printed at the labelling stage for domestically produced drinks.
- Tow bars in Italy: The Italian authorities have refused to approve trailer tow bars which have been approved in other member states. This has prevented people from registering vehicles they have bought outside Italy.
- Baby food in Germany: The Commission believes German rules laying down maximum limits for pesticide residues in baby foods are too stringent. The effect of the law is to ban the sale of products produced lawfully in other member states which, altbongh they slightly exceed the German residue limits, do not represent any danger to bealth, according to Brussels.
- Loose tea in Spain: Under Spanish law tea must be sold in sealed packets that cannot be divided, even in the presence of the consumer who might want to blend different varieties. As a result, tea marketed lawfully in bulk in other states cannot be imported into Spain.

The states concerned have two months to respond or to amend their legislation.

Brussels will also recommend to the European court today the levels of fines it believes Italy and Germany should pay for defying rulings to comply with EU environmental legislation.

Air crashes fuel insurance rate fears

By Christopher Adams, Insurance Correspondent, in London

A surge in disasters involving western-built jet aircraft has fuelled concerns that London-based insurers could be heading for a period of damaging unprofitability if they continue to cut rates in markets such as aviation and marine insurance.

The number of fatalities from aircraft accidents during 1996 was the second highest on record as 25 western-built airliners crashed, the Institute of London Underwriters said in its annual report.

Mr Nigel Jankins, ILU chairman, said insurers would be putting themselves seriously at risk by cutting prices further after several years in which over-capacity and intense competition had sent insurance rates tumbling.

The ILU represents companies operating in the London market, which often acts as a benchmark for worldwide rates.

Pressure on prices and a higher incidence of aircraft and marine losses come as insurers are having to strengthen reserves for business written several years ago. Total claims last year were £2.09bn ($3.49bn). Premium income amounted to £1.47bn.

"The unavoidable erosion of profit margins may bring some collective sense back to the market, but really it is up to individual members to stand firm and put underwriting profit before market share to achieve stability," the ILU said.

Over 1,400 people were killed in airline accidents in 1996, up from 380 the previous year, resulting in a jump in the cost of passenger liability claims.

The value of hull losses has risen from $418m to $477m, pushing the cost of western-built airliner losses towards $1.3bn. This figure is expected to rise when the cause of the TWA flight 800 crash off New York is identified.

Four big losses in the satellite insurance market accounted for the bulk of $491m (£303m) in provisional losses for the space risks account. Ariane 5, the European space rocket which blew up in June only 40 seconds after launch, was not insured.

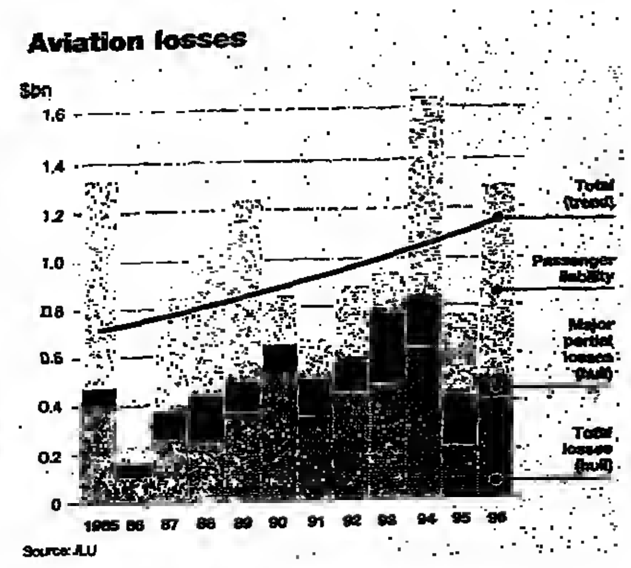
The ILU report confirmed that the number of ships weighing more than 500 tonnes lost last year rose to 105 from 95, and is expected to exceed 120 as partial losses become total.

Passenger and crew deaths increased to 1,190 from 316, largely because of a ferry disaster on Africa's Lake Victoria.

A sustained increase in the cost of aviation and marine claims could force rates back up in these markets, but this does not appear to be happening yet.

A survey of 23 underwriters at Lloyd's of London published yesterday showed that most marine hull business had seen rate reductions of 5-25 per cent during the latest renewal season earlier this month.

LRG Cater Allen, the members' agency which conducted the survey, said there were also signs of a further fall in rates for airline business. Aviation liability is more stable, but the TWA loss has not led to any rise in rates.



Source: ILU

Push for world labour standards

By Robert Taylor, Employment Editor

The international trade union movement plans to try to persuade global corporations to introduce core labour standards when union leaders participate for the first time in the annual conference of the World Economic Forum in Davos, Switzerland, next week.

Mr Bill Jordan, general secretary of the International Confederation of Free Trade Unions (ICFTU), which claims to represent 124m workers in 137 countries, will lead the delegation of union leaders from France, the US, Germany, South Africa and Japan. They will discuss the future of the global economy with bankers, financiers, industrialists and economists.

"The fact we have been invited to the conference for the first time shows that the world's leading businessmen are growing increasingly concerned at the way the global economy is running out of control and causing widespread damage," Mr Jordan said in London yesterday. "The vast majority of employers are decent people and they do not want to profit from gross exploitation."

The ICFTU, in alliance with a number of the international industry-based labour federations, wants to focus attention on multinational companies which unions believe have a corporate conscience.

Mr Jordan spoke of "half a dozen corporate leading players who drive the forces of the global market", and might be persuaded to set an example to other international companies. He is due to meet other union leaders in Washington next week to discuss the introduction of "global codes of conduct" in relations with employers.

In bypassing the established international employer organisations and going directly to companies, Mr Jordan believes real progress can be made. He said any initiative stood a better chance if it came from reform-minded companies.

The trade unions have made little progress in their efforts to persuade governments to accept core labour standards in trade agreements. Only last month they failed to make the full breakthrough they had hoped for on the issue at the World Trade Organisation summit in Singapore, despite strong support from the US administration.

Mr Jordan will be holding a private meeting on Sunday at Davos with Mr Renato Ruggiero, secretary-general of the World Trade Organisation and Mr James Wolfensohn , head of the World Bank, to discuss his international labour agenda.

Biko may unleash further secrets

By Roger Matthews in Johannesburg

South Africa's determination to investigate the worst human rights abuses of the apartheid era scored an important success yesterday when several former security officers admitted killing Steve Biko, the prominent black activist.

The ruling African National Congress said yesterday's breakthrough could lead to more senior police officers admitting the truth so that the "political masterminds" behind their actions could be revealed.

Mr Biko's death in police custody nearly 20 years ago provoked a storm of protest and contributed to the international isolation of South Africa. A 15-day official inquest into Mr Biko's death decided his massive head wounds had been caused accidentally when police attempted to restrain him.

More than 15,000 people, including diplomats from most western countries, attended Mr Biko's funeral and the film of his life, "Cry Freedom", attracted huge audiences around the world.

The Truth and Reconciliation Commission, set up by parliament to investigate human rights abuses and grant amnesties where applicable, said yesterday an unspecified number of officers had admitted assault and culpable homicide. If the commission decides they have made a full confession, and the murder was committed for political purposes, it can grant the men amnesty.

Members of Mr Biko's family are bitterly opposed to granting amnesty and believe the killers should face trial. However, the principle underlying the truth commission is that it should promote reconciliation by encouraging those who committed offences to admit their crimes and receive amnesty. Officials said yesterday it was the prospect of amnesty which had elicited the truth about Mr Biko's death.

Archbishop Desmond Tutu, who heads the commission, has warned that those who do not come forward will face threat of prosecution throughout their lives. The deadline for applications has been extended to March, with more than 4,500 applications received, and many pending.

Truth Commission staff believe decisions by more and more senior security and police officers to come forward will increase the pressure on leading politicians to seek amnesty. Although four members of the cabinet are seeking amnesty, only one member of the former National Party government has applied.


Union leader Abdelhak Benhamouda: his assassination is a blow to President Zeroual AP

Italy calls for peace initiative in Algeria

By Roula Khalaf in London

Italy is to ask the European Union to launch a peace initiative to try to end Algeria's civil war.

The Italian move came as Mr Abdelhak Benhamouda, leader of the powerful 1m-strong trade union and an ally of President Liamine Zeroual, was assassinated.

Mr Benhamouda's killing was the latest incident in a recent wave of bomb attacks and massacres blamed on Islamic extremists.

In an interview with *L'Unità*, the Italian newspaper, Mr Piero Fassino, a foreign ministry under-secretary, said the European Union must act to halt a five-year conflict that it has long underestimated. "The time has come to make up for lost time, developing an initiative which restores rights, freedom and democracy in the country," he said. "The EU has to assume a more determined role."

The Italian initiative, to be presented next week at a meeting of foreign ministers of France, Spain, and Italy, will be welcomed by Algerian opposition groups who have long called for outside mediation. The conflict erupted in 1992 after the army stepped in to cancel elections an Islamist party was about to win.

The army-backed Algerian government, however, says it faces a terrorist threat from Islamic radicals which can only be dealt with by force. Officials see attempts at mediation as interference in Algeria's domestic affairs.

Mr Benhamouda's killing outside the union's headquarters in the centre of Algiers is a blow to Mr Zeroual who, only last Friday in an address to the nation, vowed to exterminate terrorism. Mr Benhamouda helped to mobilise support for the Algerian president in the November 1995 elections. He recently announced that he would step down from the General Union of Algerian Workers (UGTA) to form a political party.

The initiative was believed to be aimed at grouping pro-Zeroual organisations to ensure the election of a presidential bloc in the legislative poll scheduled for the first half of this year.

Mr Benhamouda escaped an attack on his life in 1992 but his brother and cousin were killed the following year. He was a staunch anti-Islamist who supported cancellation of elections in 1992.

The killing of Mr Benhamouda shocked Algeria's political class. "This is a blow to the whole political scene," said Mr Noureddine Ait Messaoudine, an official of Hamas, a moderate Islamist party.

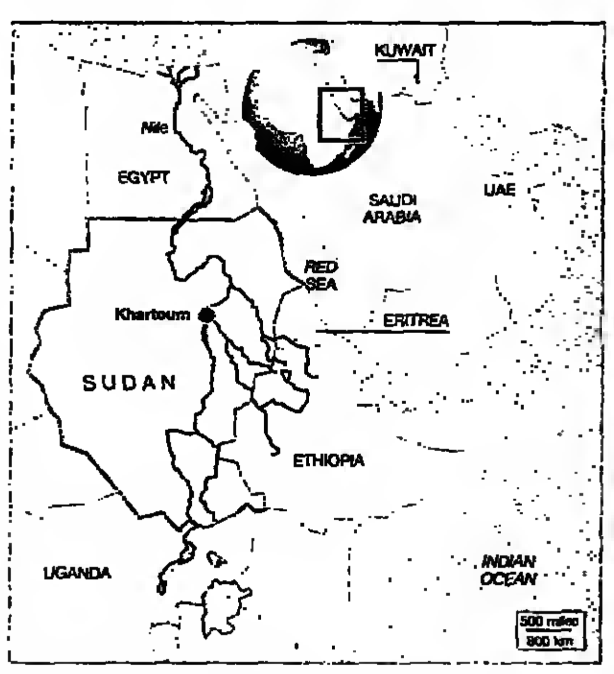
Sudan pays the price for backing radicals

Islamic extremist support has isolated Khartoum from Arabs and the west, says **Mark Huband**

Sudan's failure to gain support from neighbouring Arab governments in its fight against opposition forces in the east and south of the country is the price it is paying for backing radical Islamic groups in those countries.

The Khartoum regime is now as isolated from key Arab countries as it is from the west, notably the US, where it stands accused of sponsoring international terrorism.

Mr Al-Zubeir Mohamed Saleh, Sudan's vice-president, and other officials last week completed a tour of Arab states. Their hosts in Egypt and Saudi Arabia supported the unity of Sudan in the face of southern Sudanese demands for self-determination, but the Sudan officials failed to convince them that the current regime was the best guarantor of that unity.



Arab countries have only clarified their positions since the grouping of Moslem northerners with southern Christians under the umbrella of the anti-government National Democratic Alliance (NDA) led to attacks on eastern Sudan from Eritrea earlier this month.

As the threat to Khartoum intensifies, Qatar has offered to mediate. Jordan, Yemen, Iraq, Iran and the United Arab Emirates have all voiced support for Khartoum, but do not appear to have offered logistical assistance.

The clashes have given Arab states a lever with which to demand that Khartoum end its backing of Islamic radicals in their countries. By publicly associating with northern Moslems opposed to the Khartoum regime, the states, particularly Egypt, can put pressure on Khartoum without necessarily strengthening the non-Moslem southerners, whose wish for secession all Arab states strongly oppose.

Egypt's refusal to countenance the secession of the south, despite its antagonism towards Khartoum, has stemmed from its desire to prevent the waters of the Nile being diverted by another state along its banks.

But the more pressing issue of Sudan's political direction is now determining Egypt's policy. Earlier this month Egypt's President Hosni Mubarak said: "What is going on in Sudan? The Sudanese people are kind, but their ruling regime has changed this kindness into violence and terrorism, and has ruined the country and destroyed its economy."

Egypt's determination to isolate the government of Lt Gen Omar Hassan El-Beshir, Sudan's president, has intensified since Sudan was implicated in an attempt to assassinate Mr Mubarak in Addis Ababa in 1995.

However, Egypt subsequently argued against an arms embargo on Sudan as part of United Nations sanctions in response to the assassination attempt, as this would have undermined Khartoum's war effort to stop southern secession.

One observer in the region said: "The situation in Sudan is particularly difficult for Egypt. It's clear that there's no compatibility between the current Khartoum regime and Egypt. On the other hand it's a long-standing position that Egypt is against anything that would lead to the division of Sudan. Egypt is damned if it does and damned if it doesn't."


Sadiq El-Mahdi: opposes southern secession, but now accepts referendum on it should take place

On January 3 the Egyptian government provided Mr Sadiq El-Mahdi, leader of Sudan's opposition Umma party and a former Sudanese prime minister, with official protection and allowed him to hold a press conference in Cairo.

Egypt has never accorded such honours to the leaders of the southern factions opposed to the Khartoum government, with whom Mr El-Mahdi is now allied in the NDA. However, Cairo officials have had direct contacts with the leader of the main southern faction, Col John Garang of the Sudan Peoples' Liberation Army.

Col Garang has denied the NDA coalition, of which he is the overall military leader, is seeking the secession of the non-Moslem south. But this is because of the southerners' failure to achieve their political aims, and because he does not want to deter northern support for the anti-government coalition. Mr El-Mahdi, once a vehement opponent of a referendum on southern secession, now accepts that it should take place, though he intends to campaign against it.

The war costs the heavily indebted Sudanese government $1m (£616,000) a day and has claimed up to 1m victims from fighting and famine since 1982. The country – the largest in Africa – is $1.7bn in arrears on loans to the International Monetary Fund, and has a total external debt of $20bn, $17bn of it in arrears, according to an IMF director.

The failure of Sudan's largely non-Moslem southern and eastern neighbours – Eritrea, Ethiopia, Kenya and Uganda – to broker peace in 1995, stemmed largely from the absence of Arab pressure on the Khartoum government to find a solution to the 40-year north-south conflict.

Cairo is now facing domestic criticism from Islamic organisations sympathetic to Khartoum's claim that its war against the southerners is an Islamic *jihad* or holy war, despite the presence of Moslems within the NDA.

Egypt's Islamist Labour party claimed the fighting in eastern Sudan was an international plot inspired by the US, Israel, Ethiopia and Eritrea. A similar view was expressed by the influential Moslem Brotherhood.

However, even the radical Islamic groups with which Sudan has openly associated now view the Khartoum government as having lost credibility.

The expulsion – under strong US pressure – from Khartoum last year of Mr Osama Bin Laden, a dissident Saudi Arabian alleged to be a major financial backer of opposition to the Saudi Arabian royal family, is interpreted by Islamic groups as a sign that Khartoum has weakened in the face of international isolation.

"If Bin Laden had not been expelled, then people would be ready to help Sudan. But nobody is going to come to their help, because they have shown that they're not prepared to go right to the end and defy the pressure from the west," said an insider of one Islamic group.

He predicted the government would be ousted by the end of the year.

NEWS: THE AMERICAS

Republicans attack Clinton nominee over covert policy on secret Iran arms supplies to Bosnia

Lake faces tough battle to head CIA

By Bruce Clark in Washington

Prospects for Mr Anthony Lake being confirmed as director of the US Central Intelligence Agency have been damaged by Republican charges about the manner in which he "winked" at Iranian arms supplies to Bosnia.

A 600-page report by a House sub-committee, leaked in part to the Associated Press, shows Republicans are unhappy at his refusal to testify under oath, and at conflicting tales of how the covert policy was promulgated.

Mr Peter Galbraith, US ambassador in Croatia, told investigators Mr Lake, as national security adviser, had conveyed with "raised eyebrows and a smile" a decision to let Iran send arms to Bosnia in defiance of a UN embargo.

Neither Mr Lake nor his European edviser Ms Jenonne Walker – the supposed recipient of this non-verbal message – could recall any such gesture being made.

What is not in question is that in April 1994, the Clinton administration, fearful of Bosnia's Moslem-led government suffering further military reverses, took a decision not to oppose Iranian supplies of weapons to Sarajevo.

The report quotes Mr Sandy Berger, currently national security adviser and then deputy to Mr Lake, as saying it would be "dynamite to do a record" of the decision to ignore an embargo which the US was nominally supposed to be enforcing.

It also describes a scene in which Mr Lake presented President Bill Clinton with a series of policy options, ranging from open approval of the arms shipments to open opposition, as they were flying to the funeral of ex-President Richard Nixon.

House Democrats, in a lengthy dissent from Republican conclusions, said the Republican complaints about Mr Lake's account of the policy amounted to a "shameful" casting of aspersions on a "dedicated public servant."

House Democrats have defended Mr Lake's policy of secrecy on grounds that it was necessary to avoid upsetting European allies. A congressional aide said tbe issue was "potentially very serious" because of the sensitivity of any policy decision that could lead to an increase in Iranian influence in south-eastern Bosnia. Another put the chances of Mr Lake being confirmed at no better than 50-50.

Tbe looming controversy over Mr Lake is in sbarp contrast with the speed and virtual unanimity with which the Senate confirmed Mrs Madeleine Albright, the new secretary of state, and Mr William Cohen, the new defence secretary.

In e separate dispute, Republicans have raised questions ebout two other Clinton administration nominees – Mr Rodney Slater and Ms Alexis Herman – over their involvement in last year's presidential election while holding government jobs. Mr Slater was expected to be endorsed as transportation secretary, but there was greater uncertainty about the confirmation prospects of Ms Herman, whom Republicans want to question about her role in arranging "coffee mornings" at the White House for generous contributors to the campaign.

Anthony Lake: facing flak

Clinton wins plaudits on budget deficit

By Gerard Baker in Washington

The US federal budget deficit will be smaller over the next five years than previously forecast, tbe non-partisan Congressional Bndget Office said yesterday. But it said the deficit was still set to rise, and warned that without policy changes it would be substantially higher by the year 2002 than current White House projections

In e report on the outlook for the deficit, the CBO said stronger economic growth and weaker-than-expected increases in the cost of pnblicly provided bealth insurance had combined to push its forecast for the deficit lower. On unchanged policiea, the gap is set to rise from $107bn in the current fiscal year to $188bn in 2002, ebout a third lower than it forecast last May.

The report is a significant fillip for President Bill Clinton as he prepares to unveil his bndget to Congress next week, with the central target of achieving budget balance by 2002. But in presenting the report to the Senate Budget Committee, Ms June O'Neill, the CBO director, said the outlook for the economy over the uext five years was unpredicteble and warned against complacency.

"Despite the encouraging reduction in the baseline deficits, balancing the budget by 2002 may not be easier this year than last," she said. Last year the president and Congress reached agreement on limited spending reductions only after e long and acrimonious battle.

The CBO report underlined the progress made in the last six years towards eliminating the fiscal deficit.

In 1991 the deficit reached almost 5 per cent of gross domestic product. This year it is expected to be 1.4 per cent. Much of the progress was the result of strong economic growth, but important policy changes had also contributed to e reduction in the non-cyclical part of the deficit.

But the report pointed out thet after five years of decline, the deficit is set to rise again this year and in subsequent years, to a little over 2 per cent of GDP by 2002.

The CBO warned that if Mr Clinton and Congress are to achieve their aim of budget balance by 2002, without tax increases, significant further progress must be made in cutting spending.

Overall cuts totalling about $154bn will have to be found if the deficit is to be eliminated by that year. The remaining $34bn would be produced from the beneficial effects on the economy of e reduced deficit.

In his budget uext week, Mr Clinton is likely to claim that the cuts needed are somehat smaller, at about $100bn.

But the gap between the CBO's estimate and the White House's is mucb smaller than it has been in the last few years.

Much of the president's proposed cuts will come from reductions in the Medicare budget, the health insurance system for the elderly, which may prove politically explosive.

The report warned that tha longer-tern outlook for the public finances was grim. The approaching retirement after 2010 of the so-called baby boom generation, those now in their 40s and early 50s, would add significantly to the burden of social security, the public retirement pension programme, and Medicare.

Cuban growth fund set up

By Pascal Fletcher in Havana

A Bahamas-besed investment company is setting up a mutoal fund, the Cuba growth fund, to invest in listed Canadian companies that either operate in Cuba or do business there.

Mr Charles Villenenve, one of the fund directors, said be had already received commitments toteiling C$50m (US$37m) from institutional investors in Canada and the fund would open with this amount. "The goal is C$500m. We think there is a market for that," Mr Villeneuve said in Havana ou Monday.

Mr Villeneuve is a Canadian investment manager living in the Bahamas. He and two other directors, one Canadian and oue Britisb, will run the Babamas-based fund manager, Ecomatrix.

The Cube growth fund will concentrate on buying shares in medium-sized listed Canadian companles with snbstantial business interests in Cuba, for example, in tourism, property and construction and, to a lesser extent, oil and metals exploration. The minimum initial subacription is C$250,000 but the offering excludes US or Bahamian nationals.

It will he the second investment vehicle to focus exclusively on Cuba.

A British-based investment company, Beta Gran Caribe, raised SFr40m e year ago.

● A transition to democracy and capitalism in Cuba would attract billions of dollars in loans and investment, according to a US government report due to be released this week, Reuter reports from Washington. The White House is due to issue the report to comply with the Helms-Burton law.

Success goes to California's head

Christopher Parkes on why the state needs a proper public investment strategy

California should set aside its concerns over job creation and start thinkiog bard about how to cope with the negative effects of rapid growth, according to a new study.

Employment will rise et double the national rate over the next decade, adding 3m new jobs, the Center for Continuing Study of the California Economy claims. Total income will grow 3.4 per cent above the rate of inflation and 50 per cent more than in the US et large.

But tbe population will surge almost 20 per cent, adding 6m new residents, 2m new bouseholds, and further strain educational, transport and bousing resources.

The state, which lost 500,000 jobs in the 1990-93 recession, has already added almost 1m in the past three years and there is no sign of any slackening, the centre says. It is now time to broaden the economic policy focus from the issue of "jobs, jobs, jobs".

Yet despite five years of debate the state still has no long-term public investment strategy for the educational and transport infrastructure needed to sustain growth and maintain quality of life.

In the San Jose area, Silicon Valley's high-technology business community is alreedy suffering from the re-emergence of traffic congestion, rapidly rising bousing costs and pressure on the environment.

There is also e fear that without educational reform large sections of the population – the unskilled and the ill-prepared – will be denied e share in the overall economic gains.

Tbe study bigbligbts a backlog in school construction.

The sectors which lost most jobs in the recession – aerospace, construction and retailing – did not contribute significantly to the rebound and are among those most at risk of being left out of the boom.

The study says the state's future is now pinned firmly on high-growth sectors: technology, trade, entertainment and professional services. Venture capital funding in Silicon Valley was expected to exceed $2bn last year, a third of the national total.

Technology exports of $59bn in 1995 were up 22 per cent by the end of last year's third quarter.

Exports from Californian companies, which account for 17 per cent of all US foreign sales, rose 13.5 per cent in the first half of last year, and total trade through the state's ports rose 10 per cent.

The film industry has generated about 60,000 jobs in tbe past three years, increasing tbe workforce almost 50 per cent, and last year accounted for 65 per cent of all US film production starts.

In professional services, the computer industry alone is gaining 2,000 high-paying jobs a month.

For the future, the centre, a respected specialist in long-term consulting, predicts high-tech manufacturing will grow at three times the pace of other US industries, enguring well for e state with 20 per cent of national capacity.

Exports – led by high-technology and entertainment products – are growing at more than double the pace of tbe US economy. Employment in tourism and entertainment is expanding et a similar pace.

But tbe high-technology and entertainment sectors are the most critical to California's long-term growth and prosperity. As "basic industries" aelling to both national and internetional markets, they can usually choose wbere they are located.

"Abundant opportunity does not equal guaranteed success," it says. "Although most of tbe hard work will be done by Californie's entrepreneurs and workers, there is a significant role for public policy that is in danger of going unfilled."

Colifornio Economic Growth, 1996/97 Edition, $225. Inquiries to: CCSCE, 610 University Avenue, Palo Alto, CA 94301-2019. Tel 415-321 8550. Fax: 415-321 5451

Japan plans Emu-style deficit curbs

By William Dawkins in Tokyo

The Japanese government is planning legislation this year to bring its growing budget deficit under control over the next decade, using targets similar to those used by the European Union for its planned single currency.

Mr Hirosbi Mitsuzuka, finance minister, yesterday told perliament's budget committee the government aimed to submit a bill on fiscal reform for adoption in the autumn.

Economists in Tokyo welcomed the move as a sign that the minority Liberal Democratic party administration is at last serious about cutting state debt.

The bill would embody targets, sketched out by Mr Ryutaro Hashimoto, prime minister, earlier this week. But unlike the Maastricht model, Japan is considering giving itself more than twice as long as EU members to achieve the targets.

The plan would commit the government to more than halving the annual central and local government budget deficit from the current 7.4 per cent of gross domestic product (GDP) – more than double Italy's projected deficit in 1997 – to 3 per cent by the fiscal year ending March 2006.

That would involve a Y2,000bn ($16.7bn) a year reduction to the deficit, and a "significant" cut to the annual borrowing requirement, currently 28 per cent of government revenue, according to draft budget committee documents.

Outstanding gross government debt of close to 90 per cent of GDP would be reduced in line with the Emu standard, though draft plans do not specify the European target of 60 per cent. That is an ambitious aim, since the OECD forecasts that Japan's gross government debt will hit 100 per cent of GDP by next year.

"This could be good news in terms of the government's commitment to the public that they will do something about the fiscal deficit," said Mr Satoru Ogasawara, international economist at Deutsche Morgan Grenfell in Tokyo.

The proposed bill follows intense public criticism over the government's budget for the coming year which proposes personal tax increases, yet allows public spending to rise by 3 per cent.

Singapore sees rise in currency

By James Kynge and Elizabeth Robinson in Singapore

The value of Singapore's currency, which remained as steady as e rock against the US dollar in 1996, is likely to appreciate this year, according to Mr Richard Hu, the country's finance minister.

Some strengthening of the Singapore dollar would be "desirable" to keep inflation under control, Mr Hu said at the weekend. However, the Monetary Authority of Singapore – in effect the central bank – would not seek to guide the currency's value but rather let market forces dictate the rate, he said.

Singapore's industrial base, overwhelmingly geared to exports, is considered robust enough to withstand the impact of a rising Singapore dollar, government ministers said. Yesterday the US dollar was being quoted at S$1.4097, compared with S$1.415 at the end of 1995.

"Some degree of appreciation is desirable from our point of view because we import 70 per cent of all the goods we consume," Mr Hu said in an interview. A rising currency reduces the cost of imports.

"One of our objectives is to keep foreign inflation down, so some degree of Singapore dollar appreciation is quite acceptable," be said.

Altbough last year's inflation was a low 1.4 per cent, one of the government's top concerns is the high cost of land, rent and wages – which threatens to erode the country's manufacturing competitiveness.

"We have been advising the manufacturing sector to expect a strong dollar. This is a key pillar of our policy," said Mr Yeo Cheow Tong, minister of trade and industry until a cabinet resbuffle took effect on Saturday.

Some industries could be adversely affected by a strengthening currency but "you can't manage a currency to suit particular sectors", said Mr Hu.

Companies such as Singapore Airlines, wbose costs are mainly in Singapore dollars and earnings in US dollars, are vulnerable. Shipyards are also likely to find e rising currency contributes to their problems.

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Ethnic party hopes to sweep Karachi

It could win up to 14 seats in Monday's national election, making it pivotal in a hung parliament

By Mark Nicholson in Karachi

When votes are tallied in Pakistan's election next Mouday, leaders of the Mohajir Quami Movement, the ethnic party which champlons Urdu-speaking migrants from India, expects to have taken almost all 12 seats in its Karachi home base, a couple more in Sind province and, perhaps a place in government as part of a possible coalition.

Independent analysts also believe the MQM is likely to win up to 14 seats, enough to make the group pivotal if the 217-seat parliament is hung.

But leaders of the party, which has waged a bloody struggle for the "rights" of the "downtrodden" Mohajirs (literally "refugees") against successive governments in Islamabad, believe they deserve more proportionate representation in parliament.

"Our demand is for a census," says Mr Shoaib Bukhari, a lawyer and party spokesman. "It would prove Mohajirs are more than half the population of Sind, which would mean more seats locally and nationally, more central government funding, more resources for education and health."

Mr Bukhari points out that some national assembly constituencies to the sprawl of Pakistan's biggest city have 300,000-450,000 voters, and sbould therefore be divided into two or three parliamentary seats.

But there has been no census, thus no constituency redefinition, in Pakistan since 1981, to which time Karachi's population has more than doubled to 12m.

Nor do analysts in Pakistan expect a fresh headcount while power is in effect alternated between the Pakistan People's Party (PPP) of Ms Benazir Bhutto, deposed by Pakistan's president in November, and the Moslem League (ML) of Mr Nawaz Sherif, which is felt likeliest to emerge as the largest party.

Both main parties in Pakistan's medieval and personalised political system are domineted by powerful, landowning "feudals", and some 80 per cent of national assembly seats represent rural areas.

But this proportion reflects the Pakistani demography of 30 years and more ago, and ignores the industrialisation and urbanisation since. With no census since 1981, analysts can only guess tha present under-representation of Pakistan's urban population.

"I would think the rural-urban split is now almost equal," says Mr Nasim Haji, vice-president of the fledgling Tehreek-e-Insaf party led by Mr Imran Khan, the former cricketer. "All these little villages have over the years developed into towns, the towns into cities."

Like the MQM, which boycotted the 1993 polls, the Tehreek-e-Insaf also believes its ability to challenge the existing political dnopoly is handicapped by parliament's outdated political demograpby. Mr Khan'a new party draws most support from urban professionals, exasperated, says Mr Haji, by the inefficiencies of the present "premodern" political structure.

It is a political structure economists lament because it has skewed taxation away from politically favoured agriculture, and instead heavily burdened urban and business taxpayers, to the detriment of the manufacturing base and export potential.

Politicians such as Mr Haji blame it for having led to a crippling neglect of Pakistan's fast-growing cities, creating an urban blight condncive to the political violence which has racked Karachi (where population growth is an annual 6 per cent) for the past four or five years.

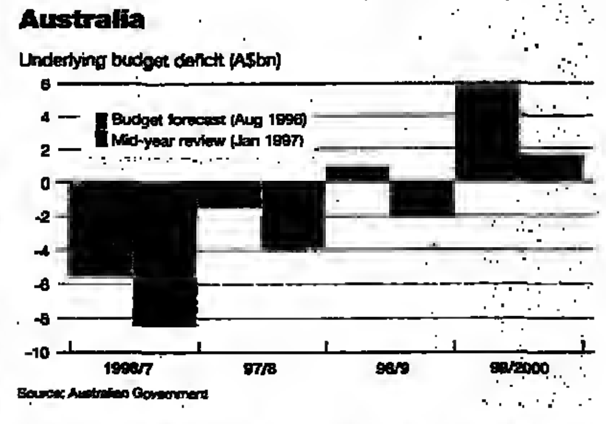
The most Mr Bukhari would concede is that the "deprivations" of Karachi'a Mohajir community had apawned "violent thinking": evident enough in the teenage and pre-teen MQM supporters at rallies this week chanting: "First the bullet, then the bomb".

If the MQM fails to win the political leverage to ease the traditional grip of the Sindi-based "feudals" of the PPP and the Punjebi-based "feudals" of the ML, or finds that Pakistan's already overdrawn coffers cannot afford to refurbish Mohajir-dominated Karachi, many wonder how long it will take its young supporters to resort to the bullet.

Federal deficit substantially higher than budget forecast

Canberra to reduce spending

By Nikki Tait in Sydney



Anstrelie's conservetive coalition government yesterday warned of more spending cuts after Treasury forecasts showed a likely federal bndget deficit of A$8.49bn (US$6.9bn) in the current 1996-97 financial year. This is substantially higher than the A$5.65bn deficit forecast in last Angust's budget.

The Treasury'a "mid-year economic review", released in Canberra, also indicated federal government finances would not move into surplus in the current three-year parliamentary term on the basis of existing policies.

In its first budget five montha ago, the Liberal-National government suggested it could be running an "underlying" surplus of A$1bn by 1998-99, but the letest Treasury forecasts predict a A$2.15bn deficit for thet year.

Despite the new forecasts, Mr Peter Costello, treasurer, insisted the coalition would press ahead with the aim of balancing the budget in the current parliament. "Clearly some additional tightening of fiscal policy will be necessary," be said.

Mr Costello refused to be drawn on the size of any new spending cuts. But he said the government would not "revisit" areas which contributed substantially to the 1996-97 round of spending cuts. He added that the government's "firm commitment to the social safety net" was not at issue.

The Labor opposition yesterday accused the government of paving tbe way for more "savege" cuts in its next budget, dne in May. "Last year's budget was too tough. Mr Costello was passionate abont numbers but not at all passionate about people," said Mr Gareth Evans, shadow treasurer.

The substantial difference between tbe bndget forecasts and yesterday's revised predictions was blamed largely on revenne shortfalls – notably smaller-than-expected corporate tax payments.

Mr Costello suggested that the 1995-96 increase in Australia's corporate tax rate hed encouraged companies to pull income forward into 1994-95, and depress taxable income in tbe following year. This had led to a downward revision of A$1.6bn in 1996-97 company tax estimates.

The lower inflation rate and more moderate growth in wages were a second factor in the revenne shortfalls.

The Senate, parliament's npper bouse, also blocked some spending cuts – costing around A$400m in 1997-98 – although these bills will be represented when parliament resumes.

Tbe Treasury's latest forecasts also suggest that Australia's headline inflation rate could be as low as 1 per cent in 1996-97, compared with the 2 per cent forecast in the budget, and that "underlying" inflation might run ont et 2 per cent, down from the previously forecast 2.75 per cent.

Power struggle in Taiwan raises crucial questions

A standoff with the island's provincial governor is helping President Lee sever links with China, writes Laura Tyson

Taiwan's gamblers were confounded when Mr James Soong, the provincial governor of the island, "temporarily" returned to his office last week, ending a tense standoff with President Lee Teng-hui.

Those who placed wagers on whether Mr Soong would stand by his resignation announcement on December 31, made in pique over plans to abolisb the provincial government and his job, were left mystified by his insistence he would resume his duties only until his resignation was accepted.

The existence of a separate Taiwan provincial government stems from the flight of the defeated Knomintang (KMT) regime from the mainland in 1949, when Taipei was claimed to be the capital of all China and the island merely a province under its control.

The Lee-Soong power struggle raises crucial questions about the ideal of reuniting Taiwan with the mainland.

Less than a year after the island's first democratic presidential elections, Mr Lee is moving swiftly to sever links with China and consolidate the position of his successor, Mr Lien Chan, vice-president and premier.

These goals conveniently coincide with an urgent need to streamline the govarnment. Taiwan's cash-strapped central government would dearly love to get its hands on the province's assets: some 34 business enterprises, including the alcohol and tobacco monopoly and Taiwan's three biggest banks.

Mr Lee and the KMT paved the way for sweeping constitutional reforms, including scrapping the provincial government, in a pact last month with the leading opposition Democratic Progressive party (DPP). The plans will be put before the National Assembly in April and are expected to be ratified in time for the KMT's party congress in August.

The accord was denounced by pro-Beijing media and the opposition New party, made up mostly of post-war immigrants from mainland China, as a plot to promote Taiwanese independence. The Communists in Beijing claim Taiwan is part of China and threaten to use force to recover the island if Taipei declares independeoce.

The KMT denies harbouring a hidden independence agenda. But critics potot to a scbeduled visit to Taiwan to March by the Dalai Lama, Tibet's exiled spiritual leader, and official remarks last year calling Mongolia an independent country, as efforts to shed the Chinese legacy.

Taipei still abides by the 1945 constitution, which includes Tibet and Mongolia as well as mainland China within the boundaries of the Republic of China (Taiwan's official name).


James Soong at his inauguration in 1994 as provincial governor of Taiwan: standoff with president ended with 'temporary' return to his office *Popperfoto*

The reform plan is e sign of the realignment of politics in Taiwan since the transition to democracy began a decade ago.

The DPP, which supports Taiwanese independence, has long edvocated jettisoning the provincial apparatus, and the 300-member National Assembly tco. The KMT, now controlled by native-born Taiwanese, still espouses reunification with China. However, the interests of the two parties have converged to the potot that their policies are all bot indistinguishable.

In any case, most of the provincial government's functions are duplicated by the central and county governments.

Tha province's territory covers all Taiwan except the two biggest cities, Taipei and Kaohsiung, and 85 per cent of tbe population. Tbis means Mr Soong's mandate is in theory nearly as strong as the president's.

Mr Soong, a cbarismatic and ambitious politician, was not consulted ebout the plans, leading to speculation he has outlived his usefulness to Mr Lee.

Mr Soong is one of the few remaining senior KMT officials born in mainland China, and it seems the Taiwan-born president is adding him to the long list of "mainlanders" be has pushed off the political stage.

Ever keen to sense shifting political winds, Mr Soong, 56, is unique among his mainlander peers in that be has mastered the complex Fujian dialect, the mother tongue of most Taiwanese. "It's hard to tell if be has a political future or not," said Mr Andrew Yang, a political analyst. "He's a strong political fighter but his ethnicity is not to his favour."

Mr Soong's resignation is likely to be accepted once tbe constitutional changes are made, making him perhaps the first and last democratically elected governor of a Chinese province.

ASIA-PACIFIC NEWS DIGEST

HK to join IMF rescue fund

Hong Kong yesterday announced it would take part in an International Monetary Fund scheme to help countries threatened with financial or economic crises. The territory's involvement in the emergency fund is seen as an important step in its attempt to secure its position as an international financial centre and to establish its economic autonomy before July's return to Chinese sovereignty.

"Hong Kong's participation is of considerable significance to the territory," said Mr Donald Tsang, financial secretary. "Last year Hong Kong joined the Bank for International Settlements and we are now taking part in the NAB," he added, referring to the New Arrangements to Borrow, as the IMF fund is called.

The Hong Kong Monetary Authority, the territory's *de facto* central bank, said it would be one of 25 participants in the fund – a US$48bn credit line to be used in situations which could damage or threaten the stability of the international financial system. Hong Kong will contribute the equivalent of US$476m in Special Drawing Rights.

China has promised Hong Kong a high degree of eutonomy for 50 years after July's transfer of sovereignty, including an independent fiscal policy and the maintenance of the currency peg between the Hong Kong and US dollars. While there are concerns in the territory that China will exert political pressure on the territory, there is greater confidence that it will uphold its pledge to maintain Hong Kong's economic and financial eutonomy. *John Ridding, Hong Kong*

UK-China troop talks fail

British and Chinese negotiators failed yesterday after two day of talks to break a deadlock over China's request to send an edvance party of troops to Hong Kong before Beijing formally takes over the territory on July 1.

The baggling over troops at the Sino-British Joint Liaison Group (JLG) talks on handover arrangements was the latest of many disputes in the run-up to the change of sovereignty after more than 150 years of British rule.

Mr Alan Paul, a British negotiator, said he would not want to put a deadline on resolving the issue, but made clear little progress had been made. *Reuter, Hong Kong*

Burma jails 14 protesters

Burma's military junta said yesterday that 14 people, *including five members* of Ms Aung San Sun Kyi's *main* opposition party, had been jailed for seven years for their part in last month's student protests. Burmese military intelligence said in two statements that the 14 were sentenced under the Emergency Act of 1950 after being "found guilty of agitation and throwing rocks at security personnel during the student unrest last December".

Ms Suu Kyi said the sentences were a sham as the trials were not made public and the accused had been denied access to proper counsel. "I don't for a moment believe that they were found guilty since they were obviously tried *in camera*," she said. *AFP, Rangoon*

World injunction against Tang

Singapore's top leaders have obtained a worldwide court injunction against e controversial opposition member on top of the defamation suits already filed against him, a newspaper said on Monday. The injunction requires Mr Tang Liang Hong, who is facing a clutch of lawsuits, to set aside S$11.2m (US$8m) for possible damages and legal costs if he decides to liquidate his assets, the Straits Times said.

The worldwide injunction sought by Prime Minister Goh Chok Tong, Mr Lee Kuan Yew, the senior minister, and nine other members of the ruling People's Action party was approved yesterday, the newspaper said. The ection follows reports that Mr Tang had decided to sell his properties in Singapore and Malaysia to fight the lawsuits he faces. *AFP, Singapore*

Laos 'confident' on power deal

Laotian officials said yesterday they were confident of a long-term commitment by Thailand to buy electricity from e controversial $1.5bn dam project across the Nam Theun river.

The vice-minister of industry and handicrafts, Mr Khammone Phonekeo, played down concerns over the project raised at a public consultation, saying that good relations between Laos and Thailand would ensure its success.

"I've been involved in the Thai-Lao co-operation and we are highly committed to selling 3,000MW to Thailand," he said. Working groups convened for the second day of the first pnblic consultation on the dam, Nam Theun II, also registered worries about the dependence of Laos on Thailand. *AFP, Vientiane*

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

China and US in textile talks

China and the US yesterday began talks aimed at extending a bilateral textile accord. The two sides are also seeking to resolve a dispote over US penalties on Chinese exports. The US has alleged China trans-shipped textiles through third countries to avoid quota restrictions. Beijing denies the charge.

Mr Rita Hayes, tha top US textile negotiator, described talks yesterday as "very productive". Mr Shen Guofang, China's foreign ministry spokesman, also sounded conciliatory, saying "resolution of this problem will be beneficial to both sides". The 1994 Sino-US textile agreement expired on December 31 and the two sides have been wrangling over terms for renewal. The US set a deadline for the end of this month for agreement.

The textile talks come against a background of improving Sino-US relations with a string of reciprocal high-level visits planned this year. *Tony Walker, Beijing*

Chile chemicals plant agreed

Nissbo Iwai, a leading Japanese trading company, and NKK, Japan's second largest steelmaker, have won a joint contract to build a plant in Chile to produce ammonium nitrate and nitric acid for industrial use.

The plant will have tha world's largest annual production capacity, expected to reach a combined 350,000 tonnes of the chemicals, which are used in the mining of copper and other metals. Chile is the world's top copper producing nation and expects annual production to rise 80 per cent by 2000 from the current 2.5m tonnes. Demand for ammonium nitrate and nitric acid is also growing rapidly in Argentina and Peru.

The Japanese companies were engaged by Enaex, a Chilean cbemical company, to participate in the Y10bn ($83.8m) project and will design and supply equipment worth sbout Y6bn. Construction is scheduled for completion by tbe end of 1998 at a site about 1,000km north of Santiago. *Gwen Robinson, Tokyo*

Yemen gets two Airbuses

Yemen Airways, Yemen's national carrier, will receive two Airbus A300s from Airbus Industrie in March, Yemen Times, the English-language newspaper, reported.

The Sanaa-based airline was formed last year by the merger of Yemenia Airways and al-Yemda, the carriers of the former North Yemen and South Yemen, which merged in 1990. Saudi Arabian Airlines, the Saudi national carrier, holds a 49 per cent stake in Yemen Airways. The Yemeni airline has a fleet of 12 aircraft. *Reuter, Sanaa*

India expansion for GE unit

GE Capital, a sobsidiary of General Electric, plans to buy a majority stake in an Indian finance company as part of its expansion plans. The US company bas agreed to pay Rs547.7m ($15.3m) for a 50.25 per cent stake in SRF Finance, part of the DCM Shriram group. It will also make a public offer for the remaining shares in SRF Finance of Rs53.50 a share.

GE Capital said the move would expand its presence in the Indian market for commercial vehicle and working capital financing. It said SRF Finance had an established branch network and asset base. The deal is subject to regulatory approvals. *Tony Tassell, Bombay*

Rivals Bombardier and Gulfstream eye up lucrative prospects for corporate jets

Battle for China's jet set market

By Tony Walker in Beijing

China has become the latest battleground in the cut-throat corporate jet market.

Bombardier, the Canadian manufacturer, stole a march on arch-rival Gulfstream with the sale last week of five Regional Jet aircraft, but its US competitor says this is only the start of a battle for what is expected to become a buge market.

Mr Charles Williams, regional vice president for Gulfstream, is confident sales in China will match its success elsewbere in Asia, where it claims 50 per cent of the market for longer-range corporate jets.

Bombardier's Mr George Laforme, regional vice president, said last week's deal augured well for furtber sales. The company is pinning hopes on its new Global Express to dominate the longer-range corporate jet market against the Gulfstream V.

Bombardier also supplies the smaller Learjet whicb is used for sborter bops, including medical evacuations, an important segment of the market in China.

Other competitors include the Falcon, made by Dassault of France, which is an alternative to the longer-range Bombardier and Gulfstream jets. The Cessna Citation is the main competition for Lear.

"It's almost impossible to quantify tha market as Cbina opens up," aays Mr Laforme. "But obviously we believe in the China market as we do in the whole Asian market."

The industry estimatea there are about 200 corporate jets in the Asian region, including 70 in Australia. This compares with 6,000 in North America.

China itself has about 14 corporate jets in service, according to Bombardier. But the powerful military establishment, central and provincial governments, corporations and even private entrepreneurs are increasingly coveting wbat had been regarded as playthings of the ricb and powerful.

With its vast distances and relatively primitive domestic airline network, China is seen as a natural market. Chinese leaders, travelling abroad more regularly, are logical customers for tbe Gulfatream V and Global Express with tbeir range of 6,000-7,000 nautical miles – sufficient to travel non-stop between Beijing and New York.

Foreign companies, including some of the world's largest corporations, which will have invested about $200bn in China by the end of 1997, are also obvious customers for nimble corporate jets in a country wbera airline and airport inefficiencies eat into business time.

Mr Maurice Amon, chairman of Global Aviation, a new charter firm operating from Guangzhou and Singapore in alliance with China Southern airlines, estimates that busioess is growing 30-40 per cent a year.

Global Aviation, which has a "strategic partnership" with Bombardier to showcase its aircraft, is the first such company to be licensed to use China as a base for both domestic and international operations.

Whila manufacturers of corporate jats are jostling for sales in China, they are not neglecting other Asian markets. Hong Kong's super-rich overseas Chinese are an obvious target, but sales have been limited by the fact that the territory's Kai Tak airport did not have space for executive jets.

But this will change when the new Chek Lap Kok airport opens in 1998 with a base for corporate jets. As Gulfstream's Mr Williams said of a likely appetite for executive jets among Hong Kong billionaires: "Once you get one to buy others will follow."

Taiwan is also a likely growth market with only two private jets believed to be in service there. Bombardier and Gulfstream, which have both set up regional headquarters in Hong Kong, are reticent about sales figures but Mr Laforma predicts the region will aoon account for 25 per cent of Bombardier's global sales.

"We're going to have our best year in history this year in terms of sales in Asia-Pacific," he says. "This is turning into a major, major market for our business."

The Gulfstream V, left, and Bombardier's Global Express: cut-throat contest to mop np potentially huge Asian market

A US order potentially worth about US$1bn ensures the prodnction rate of five per month for Bombardier's Regional Jet for the next two or three years, writes Robert Gibbens in Montreal.

Atlantic Coast Airlines, a US regional airline linked hy code-sharing with United Airlines, has ordered 12 50-seat RJs worth US$240m and has taken 36 options worth about US$720m.

Deliveries of the initial 12 aircraft will be completed by late 1998.

Bombardier now has firm orders for nearly 90 Regional Jets and options for nearly 200 more.

Canadian minister counters culture line

By Bernard Simon in Toronto

Canada's trade minister has signalled a sharp change in cultural policy by questioning the efficacy of trade and investment curbs to protect domestic puhlishers, broadcasters and film-makers.

Mr Art Eggleton said dwindling sympathy among Canada's trsde partners, especially the US, and new communications technologies challenged traditional protectionist devices, sucb as ownersbip curbs and local-content rules. "We must respond to changes in world trade and communications, or our culture will be left behind," Mr Eggleton said in a speech in Toronto.

Concern about cultural policy has intensified since an interim ruling by tbe World Trads Organiaation panel this montb whicb rejected Canada's case in a dispute involving US-owned Sports Illustrated magazine.

The panel ruled against measures designed to discourage Sports Illustrated from publishing a local edition with Canadian advertising but mostly US editorial content. These measures include an 80 per cent excise tax on advertising in "split-run" magazines, and a hefty tariff on imports of US periodicals with Canadian advertising.

The panel also criticised a postal subsidy availabie to Canadian magazine publishers. Ottawa has not yet indicated wbetber it will appeal against the ruling.

"Cultural industries" were excluded at Canada's insistence from the North American Free Trade Agreement. However, the Sports Illustrated decision has raiaed fears that tbe US may launch a hroad assault against the panoply of rules designed to protect domestic culture.

Ottawa lnvoked foreign ownership curbs last year to block Borders, the US bookseller, from setting up a Canadian operation. Earlier, the US protested against a decision by Canadian regulators to allow a domestic country-music station to take over a cable-TV licence beld for a decade by a US group.

A vocal lohhy group has loog contended that Canadian culture is uniquely vulnerable to the avalanche of films, TV programmes and publications tbat pours across the US border.

But Mr Eggleton questioned whetber continued exemption of the cultural sector from trade agreements msde sense. "Should we not negotiate trade rules that reflect Canada'a cultural interests?" he asked.

He noted that domestic publishers, film-makers and artists relied increasingly on foreign markets. Film and video producers earned almost a third of their home entertainment revenoes from foreign sales. Songwriters and composers earned more royalties ahroad than in Canada.

Shipyard subsidy pact in danger

By Nancy Dunne in Washington

US trade officials were yesterday attempting to salvage a moribund multilateral pact to eliminate shipbuilding aubsidies in OECD countries in tbe face of stauncb opposition from Mr Trent Lott, tbe Senate majority lesder. Trade officials said they would try to work with Congress to secure passage of the pact despite Senator Lott's objections.

The senator says he will support the legislation only if it contains amendments, sdded hy the House, which wonld continue a programme of shiphuilding guarantees. Senator Lott on Friday harshly attacked the pact, negotisted within the Organisation for Economic Co-operation and Development, and predicted that, unless the US reopens negotiations, it would fail.

The senator criticised US negotiators for having approved the pact, saying they had failed to recognise market changes over tha five years of the negotiations, which ended in 1994. The US Initiated the talks, in an effort to end subsidies, and now is tbe only OECD country not to have approved it.

An administration official claimed that the pact "is not dead at this point" hut coming to agreement with Republicans "will not be easy." Tbe administration would continue to negotiate in Congress because it is the only bope; OECD members have said they will not renegotiate a deal.

Tbe US shiphuilding industry is itself split over the pact. The six largest shipyards – which build mostly warships – are opposed to it. The Shipbuilders Council of America, which represents medium-sized yards, initiated the push to end subsidies in the 1980s and is still fighting on.

The large yards were infuriated that tbe pact gave them no phasing out period for the subsidies. The senator said ahiphuilders had told the administration of their concerns over generous transition concessions granted to the foreign signatories, the changing market conditions with the growing prominence of China and the ineffective anti-dumping provision – especially in tbe light of South Korea'a massive expansion of its shipbuilding capacity througbout the negotiations.

Senator Olympia Snowe, a Maine Republican, said these concerns and "negative implications for the US Navy shipbuilding industrial base were ignored hy the negotiators of the agreement".

The two senators also complained that the Jones Act, which requires thats ships transporting cargo between US ports be US-built, owned and operatad, would be affected hy the pact, even though it is supposed to be exempt.

Spain overtakes France in tourism earnings

By David White in Madrid

Spain bas outgrown its reputation as a cheap holiday destination by overtaking France in tourism earnings last year, according to figures released yesterday hy the Madrid-based World Tourism Organisation.

With a growth of over 12 per cent in tourism receipts to $28.4bn, Spain jumped from fourth place to second in world rankings – behind the US, but ahead of bolh France and Italy. French earnings rose less tban 3 per cent, while Italy's stagnated.

In numbers of tourists – visitors wbo make at least one overnight stay – France kept its top place with 61.5m, a 2.3 per cent increase, followed by tbe US with 44.8m, Spain witb 41.4m and Italy with 35.5m. The figures show China pipping the UK to tbe sixth place with just over 26m visitors.

Tbe increase in US visitors, just over 3 per cent, was lower than expected in view of the Atlanta summer Olympics.

Overall, tourism growth picked up witb a 4.6 per cent rise in the number travelling to foreign destinatious to nearly 593m, after a 3.6 per cent increase io 1995. The organisation is forecasting another record number this year with a further increase of around 4 per cent, and a continuation in this trend to the eod of the decade.

Europe continued to dominate the tourist trade with three times as many international arrivals as the Americas and twice the receipts – about $214bn.

The fastest growth, bowever, came io tbe Middle East with a rise of more than 10 per cent In the number of visitors and a rise of almost 15 per cent in receipts.

Tourism in east Asia and tbe Pacific rose 8 per cent but less than in the early part of tbe decade. The organisation said growth in tbe region seemed to be slowing down because of air traffic congestion and increasing concern sbout the impact of tourism on the environment.

Safety fears kept tbe growtb in Africa's international tourism to barely 2 per cent, with a total of 19.500 arrivals, or just 3 per cent of the volume of business worldwide.

Global earnings from tourism worldwide rose 8 per cent to $423bn, excluding air fares, after a 13 per cent rise in 1995.

Tourism: world's top ten earners 1996

	Ranking 95	Ranking 96	Receipts $bn	% change (95/96)
US	1	1	64.4	5.3
Spain	4	2	28.4	12.2
France	2	3	28.2	2.6
Italy	3	4	27.3	-0.4
UK	5	5	20.4	6.7
Austria	6	6	15.1	3.3
Germany	7	7	13.2	2.8
Hong Kong	8	8	11.2	16.6
China	10	9	10.5	20.2
Switzerland	9	10	9.9	4.6

Source: World Tourism Organisation

Brazil averts health row over food imports

By Matthew Doman in Buenos Aires

A row between Argentina and Brazil bas been averted by Brazil's decision to delay new requirements for bealtb clearances on food imports.

The Argentine government and food exporters will use the breathing space to lobby for the measures to be overturned. Brazil had planned to require a special Health Ministry certificate on all food imports as of March, but it has delayed introduction of the scbeme until September after protests from Argentina and otber nations.

Mr Jorge Campbell, Argentina's international trade relations secretary, will travel to Brazil next week to express his government's anxieties over the issue.

Argentine food exporters say tbe new Brazilian measures will affect over $2bn a year of sales to their trading partner.

"These measures are against the spirit of trade integration to which we believe Brazil is committed," said Mr Francisco Boggino, a director of Mastellone Hermaoos, tbe dairy products group. He said tbe measures could cause delays which would be particularly damaging to perishable foods.

Argentine President Carlos Menem called his Brazilian counterpart Fernando Henrique Cardoso last week to protest against the move. Argentina regards the proposal as backtracking on Brazil's commitment to freer trade withio Mercosur, the four-nation customs union that also comprises Paraguay and Uruguay.

Mr Alieto Guadagni, Argentina's indostry secretary, expressed bope that the bealth clearance rules would be annulled or that Argentina would be given "special Mercosur treatment". However, some Argentine businesses are anxious that Brazil remains lukewarm on implementing unreatricted trade within Mercosur.

Similar fears were raised in 1995 when Brazil imposed restrictions on car imports as its trade balance widened in the aftermath of the Mexican financial crisis.

Argentine business leaders regard it as no coincidence that tbe bealtb requirements were announced a few days after Brazil revealed a record 1996 trade deficit of $5.5bn.

SBC Warburg and Goldman Sachs top survey of investment research on continent

London brokers ranked first in Europe

By George Graham, Banking Correspondent

London has extended its dominance of European equity broking, according to a survey of finance directors, fund managers and analysts. The third annual survey of investment research on larger European companies by Tempest Consultants for Reuters, the news agency and media group, showed London-based brokers and analysts winning most of the top places.

Finance directors from mainland Europe said they spent 40 per cent of their investor relations effort on analysts and fund managers in the UK, and only 34 per cent on analysts and fund managers in their home country.

"These are continental Europe's 350 largest companies, and they are saying they spend more time with UK fund management groups and UK analysts that they do with anyone else," said Mr Stephen Parker, director of Tempest.

But although London ranked highly, UK-owned brokers lost ground to houses with owners in the US and mainland Europe. Swiss-owned SBC Warburg continued to be ranked first by fund managers for the quality of its investment research, while finance directors placed US-owned Goldman Sachs first and Warburg second.

The investment banking arms of the UK clearing banks – NatWest Securities, BZW and HSBC James Capel – all lost ground while German-owned Deutsche Morgan Grenfell climbed sharply to fifth place from 20th in 1996.

Outside the elite, however, many analysts were accorded scant respect by clients or companies. Out of 2,219 analysts covering large European companies, only 200 were ranked by both fund managers and finance directors. Only 8 per cent earned more than £200,000 while 70 per cent earned less than £100,000. "The clear implication is that the institutional market is over-researched," Mr Parker said.

Mr Tim Orchard, head of European research at SBC Warburg, said that corresponded with his view of the market. "Our impression is that the available business from large institutions is being concentrated on a smaller number of brokers – we are talking four or five," he said.

The survey also showed that fund managers were cutting out the broker and making contact directly with the companies they invest in. But finance directors rated only a handful of fund management groups for their research capability. Fidelity and Capital International ranked first and second in every category, with J.P. Morgan and Mercury Asset Management trailing some way behind.

Chancellor fights hard for EU cause

Kenneth Clarke is increasingly isolated from senior members of the government

In a saner political world, Mr Kenneth Clarke would be the heir-apparent in Mr John Major's government. A minister for 18 years, the chancellor is a politician with guts to match his convictions. Through luck and good judgment, he has painted an economic backdrop for the coming general election which, once, would have seen the Conservatives coasting towards victory.

There is a snag. Mr Clarke still believes Britain's prosperity and influence depend on retaining a leading role in the European Union. Worse, he is sympathetic towards a single currency. Such heresy has left him swimming against the Eurosceptic tide in his party. The sceptics on the Tory backbenches want to reverse the process of European engagement. If the election is lost, Mr Clarke will fight his corner. But no one would make him the favourite to succeed.

On the issues that count most for him – the economy and Europe – Mr Clarke, however, remains in typically pugnacious mood. And he conveys the impression, at least, that he has not given up on his party's election chances.

He is also confident about the strength of the present recovery in the British economy.

"I think everything shows a strengthening recovery, not out of hand, not showing symptoms of a boom and not building up inflationary pressures...It is not too cold for the unemployed; not too hot to cause inflationary pressures."

Around him, contenders for the leadership are moving daily to the Eurosceptic right. He must fight for every inch of pro-European ground.

Last week the cabinet agreed it was now "highly unlikely" that economic and monetary union would begin on January 1 1999. It added that if other governments chose to "fudge" the criteria for economic policy in the Maastricht treaty, then sterling would not be part of it.

For most of the cabinet this represented another step towards ruling out the pound's participation during the lifetime of the next parliament. Several of Mr Clarke's colleagues made just that point.

But the chancellor, who last year was obliged to bow to his colleagues' demand for the promise of a referendum on the issue, insists there has been no change in the government's wait-and-see policy towards the single currency. The option of British participation remains firmly open. That was "explicitly agreed as a conclusion of the cabinet".

"My own judgment, and it is shared by the cabinet," he says, "is that the single currency is unlikely to go ahead on time on 1 January 1999. The second key message is that whenever it goes ahead it should only be embarked upon by countries whose economies are genuinely convergent." But beyond this description of probabilities, Mr Clarke is adamant the cabinet's elucidation has not changed the substance of policy.

So could Britain be in the vanguard if the Conservatives are re-elected? "Yes, it is possible we could join the first wave." And will the first wave come in the next parliament? "Yes, I think the chances are that it will start in the next parliament." That, as far as Mr Clarke is concerned, is the final word before the election.

Ashley Ashwood

Kenneth Clarke: euro "unlikely to go ahead on time"

And if the Conservatives hierarchy intends to use the election to wrap itself in the union flsg ss defenders of the nation against the European federalists, they will do so without the chancellor. He is happy, indeed, enthusiastic about the idea of attacking Mr Blair'e willingness to embrace the social chapter. But beyond that: "There can't be anybody who thinks I am going to fight a Eurosceptic election campaign."

A final thought as the interview draws to a close. What if he eventually loses the battle within his party over Europe? What if Mr Major is succeeded by one of the cabinet's Eurosceptics? There is frequent talk in the tearooms at Westminster that he might be persuaded to lead a breakaway faction of pro-Europeans. Would he be tempted?

Mr Clarke seems clear eoough. "I cannot conceive of the circumstances where I would ever leave the Conservative party." Unconsciously, though, he has repeated the formulation that Mr Michael Heseltine, now deputy prime minister, employed in the 1980s when asked whether he would ever challenge Mrs Margaret Thatcher for the party leadership. We tell him so. The chancellor guffaws.

Philip Stephens
Robert Chote

Exports top 50% of Rover sales for first time

By Haig Simonian, Motor Industry Correspondent

The growing importance of exports for Britain's motor industry was underlined yesterday by figures showing that in 1996 BMW's Rover offshoot sold more vehicles outside the UK than in it for the first time..

The company said exports accounted for 54 per cent of its sales of 507,254 vehicles last year compared with 49 per cent in 1995. The rise in export sales, based largely on new models, was crucial in taking Rover's total sales over 500,000 for the first time since 1988. Total registrations rose by 5 per cent compared with 1995.

Rover's figures illustrate the growing permeability of Europe's new car markets. Imported cars accounted for 62 per cent of UK new car sales last year compared with 58.9 per cent in 1995. Domestic brands also lost ground to foreign marques in France and Italy.

Rover's strong exports were led by the US and Jspan, where the company reported record registrations.

Salee to non-European markets soared by 19 per cent, while exports to mainland Europe rose by 16.5 per cent to 174,980 vehicles.

Rover's European performance was led by Italy, which last year became the company's biggest export market, accounting for 46,700 cars.

Rover's Italian subsidiary has defied a static domestic car market by playing up the company's British image.

Sales in Germany surged by two thirds to 21,740, thanks largely to a restructuring of the dealer network and the decision by a number of BMW dealerships to take on Rover as well.

But Rover's performance in Britain continued to deteriorate, with sales falling 7 per cent to 232,382 units. That redneed Rover's UK market share to 10.9 per cent from 12.3 per cent in 1995.

As in much of the 1990s, sales of Land Rover four-wheel-drive vehicles boosted the group's exports. Land Rover raised its sales by more than 8 per cent to 125,220 vehicles.

US sales jumped by 16 per cent to 23,182 units, boosted by the growing chain of specialist Land Rover centres, now numbering 45, which sell a range of products linked to outdoor pursuits as well as Land Rover vehicles.

Labour party aims to keep veto

If the Labour party wins the coming general election, will Britain's EU partners notice much difference? Many of their British friends havs been warning them not to expect too mncb. Like the Tories, Labour is unlikely to sign up for the single currency in 1999, and is hardly less determined than tha Conservatives to preserve Britain's frontier controls and its veto on all important decisions. The "British problem" will not go away.

Mr Robin Cook, shadow foreign affairs minister, suggests that Labour, while remaining cautious on Emu and certain other aspects of institutional change, will be able to expose the narrow nationalism of ths Conservatives as having undermined Britain's interests.

"I find it startling," he says, "how in recent years the Conservative party has repositioned itself as the party of English nationalism, sccusing us both of giving Scotland to the Scots and of being soft on Brussels."

This attitude, Mr Cook believes, "is profoundly out of tonch with the modern world, in which nations are more interdependent than independent" and contrasts with Labour's "willingness to engage with the international community".

Ashley Ashwood

Robin Cook: scorns Conservatives' "English nationalism"

European policy, be adds, is "the immediate expression" of that general difference. Besides signing up to the Social Chapter, Labour supports the 48-hour working week directive (which the present governmant opposes) as well as chapters proposed by Sweden and other members on employment and "sustainable dsvelopment". It favours strengthening the European parliament "as a democratic check on the European Commission", and "would not oppose proposals to provide a strengthened drive against racial discrimination".

Of most immediate interest to Britain's partners will be Mr Cook's recognition of the case for "modernising the effectiveness" of the EU's institutions. He claims to hsve a different position from the Conservatives on most of the issues in the current intergovernmental conference, and believes, on the basis of intensive contact with Labour's "sister parties" in government in 11 of the 14 other EU countries, that Labour would be abls to sign a treaty in June.

But on one crucial issue in the conference – the proposed flexibility clause that would allow some member states to push ahead with integration whils others opted out – Mr Cook speaks of an "unholy alliance now being created between arch integrationists sncb as Chancellor Kohl and those who want to row back, like John Major". This, bs says, "would only be the start of our problems, because if Europe was to divide into a core Europe of nations always on the inside track and a Britain which was always an offshore island, we would very rapidly find that we were frozen out of decision-making in Europe".

Mr Cook also remains firm on the retention of the national veto on "strategie" decistons snch as those affecting the EU budget, treaty amendments or enlargement. And he insists that majority voting has no place in the "second and third pillars" – foreign and security policy and justice and homs affairs policy – which must remain purely intergovernmental.

He hints at a coocession, however, by suggesting that some justice and home affairs issues such as police co-operation (but definitely not frontier control or domestic criminai law) might be "unbundled" and "partially communitised", allowing the European parliament and court of justice to bave a say in them.

Mr Cook is known to be more sceptical than Mr Gordon Brown, shadow chancellor, about Britain joining European monetary union in 1999. It is not impossible, be says, but there are "formidable difficulties" which, if anything, "bave been made more formidable by last week's statement by the government tbat tbey bave given np doing the preparatory work". Thie wonld make it "even more difficult for an incoming government".

Edward Mortimer
John Kampfner

Commercial break beckons Channel 4 chief

Departing executive believes government has been persuaded to abandon privatisation of network

When Mr Michael Grade, who resigned unexpectedly on Monday as chief executive of Channel 4, was appointed in 1988 he received a warning from his predecessor, Mr Jeremy Isaacs.

The founding chief executive of the channel, now Sir Jeremy, looked Mr Grade in the eye and said: "I am handing on to you a sacred trust. If you screw it up, if you betray it, I'll come back and throttle you."

The implication was that Mr Grade was somehow inappropriate for such a job, too lightweight, and really just a clever scheduler with roots in show business.

Sir Jeremy has never had to throttle him, and indeed Mr Grade'e achievement has been to have come almost to personify Channel 4. He has also taken its audience share regularly beyond the 10 per cent that had been Sir Jeremy's long-term target while remaining true to its parliamentary remit to be innovative and cater to minority audiences. Although there were complaints from rivals that Mr Grade had taken the channel in more populist directions in search of larger andiences and revenuee, Channel 4 is still recognisabla as a place where new ideas and talents flourish.

What will make Mr Grade so difficult to replace is the variety of his broadcasting skills. He has an instinctive feel for what will work and when it should best be scheduled. But he also understands business and airtime sales.

The growing success of Channel 4 since it began selling its airtime separately at the beginning of 1993 became something of a problem. Tha channel did so well that a funding formula with ITV, the main commercial network, designed as an "insurance" policy, resulted in the channel having to hand over vast sums of money to ITV.

Channel 4

Channel 4 is one of the most unusual broadcasting organisations in the world and may be unique. It is wholly funded by advertising sold in competition with the mainstream ITV network, yet all profits are ploughed back into programme making because it is a public corporation. The channel commissions virtually all its programmes from independent producers or buys programmes from other broadcasters. It has a legislative remit to offer programmes that are innovative and also to serve minority audiences not well served by the other British broadcasters.

Michael Grade

- 1943 born a nephew of Lew Grade, who later became one of the biggest figures in the early years of British commercial TV
- 1960 joins Daily Mirror newspaper as trainee journalist
- 1966 moves to Grade Organisation
- 1973 joins London Weekend Television
- 1977 joins board and becomes director of programmes
- 1981 becomes president of Embassy Television in US
- 1984 moves to BBC as controller of BBC1 television channel
- 1988 becomes chief executive of Channel 4
- 1997 quits Channel 4 only 18 months into five-year contract

It led to one of Mr Grade's most successful campaigns – persuading the government to phase out the formula so that the money saved by the channel could be spent on more British programming. Another campaign which Mr Grade and his chairman Sir Michael Bishop believe they have won is persuading the government not to privatise the channsl. The timing of Mr Grade's departure comes partly because be believes these two big campaigns have been won and Channel 4 is on an even keel.

The other reason for his departure is to earn serious money. Although having a salary of about £450,000 a year, Mr Grade has been the poorest of the Grade show-business dynasty.

He was never looking for money on any terms. He returned from Los Angeles programme maker Embassy to become controller of BBC1 for less than his US Christmas bonus. He also vehemently opposed the privatisation of Channel 4 when he could probably have earned millions in share options.

Raymond Snoddy

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Mr Michael Grade plans to join the "family firm", First Leisure Corporation, as full-time executive chairman, Raymond Snoddy writes. The aim is to expand the company's interests in entertainment and take the company into film distribution, following in the footsteps of his uncles Lord Lew Grade and Lord Delfont.

An announcement on Mr Grade's move away from the broadcasting industry after 23 years is imminent. His arrival as an active, full-time chairman of First Leisure, which operates bingo halls, bowling alleys and discos, could transform the company's fortunes.

Last year saw a 9 per cent rise in pre-tax profits to £43.7m for the 53 weeks to the end of October on turnover of £183m. City of London analysts, however, were disappointed.

UK NEWS DIGEST

'Silicon Glen' staff shortage

Electronics companies in Scotland are likely to face growing difficulties in recruiting staff because of the growth of the sector, a survey reported yesterday.

The survey, commissioned by Mimtech, a Scottish company which assembles personal computers for International Business Machines and other companies, showed that problems in recruiting suitable staff diminished last year because of a slower rate of output growth in the electronics sector.

But the market for skilled electronics staff is likely to tighten in the next two years as output growth is expected to accelerate again.

The Scottish electronics industry, commonly known as Silicon Glen, employs about 80,000 people according to the official Labour Force Survey. Output grew by 26.9 per cent in 1994, easing to 11.6 per ceot in 1995.

Growth was expected to have slowed further in 1996 before accelerating to 9.7 per cent in 1997 and 11.2 per cent in 1998. *James Buxton, Edinburgh*

■ TELECOMMUNICATIONS

Cellphone recycling plan launched

The mobile telephone industry will today launch in Britain the world's first scheme to recycle cellular phones in an attempt to pre-empt possible environmental legislation by European governments. The pilot scheme is being launched by cellular telephone manufacturers Alcatel, Ericsson, Motorola, Nokia and Panasonic, in conjunction with BT Mobile, the UK's largest service provider.

Users will be able to deposit old units at any BT Mobile phone centre for recycling at the manufacturers' expense. A similar scheme will soon be launched in Sweden.

Mr Bill McCartney, of the European Telecommunications and Professional Electronics Industries group, said the European Commission was looking at the possibility of legislation to encourage more recycling of electronic equipment throughout Europe. *Leyla Boulton*

■ EUROPEAN SUMMIT

Welsh capital to be host in 1998

Cardiff is to host the European summit at the end of the UK's presidency of the European Union in June 1998, Mr John Major, the prime minister, announced yesterday. It will be the first time the Welsh capital has hosted the summit.

The decision was greeted in Wales yesterday as giving a huge lift to Cardiff's international profile. Ms Norma Jarboe, chief executive of Cardiff Marketing, an organisation which promotes the city's region, said: "It is a fantastic opportunity for us and will confirm our role as an important UK city and European capital." Mr Rhodri Morgan, MP for Cardiff West and Welsh affairs spokesman with the opposition Labour party, said the country had never had the international recognition to match that of Scotland and Ireland. *Roland Adburgham, Cardiff*

■ EXPORTS

Trade gap worse than expected

British exports to countries outside the European Union recorded their biggest fall for at least nine years last month underlining the difficulties faced by companies following the rise of the pound. The Office for National Statistics said yesterday that Britain's trade gap widened to a seasonally adjusted £959m ($1.6bn) in November, from £680m in October. The declins was worse than the City of London expected. The deficit with EU countries widened to £260m from £227m in October, providing fresh evidence that prolonged slow growth in big European export markets snch as Germany and France is hitting UK companies' sales. More up-to-date figures showed the deficit with countries outside the EU widened to £844m in December from £699m in November. Export volumes, excluding oil and erratic items, to countries outside the EU fell 9 per cent in December, the biggest monthly decline since present records began in 1988.

The latest decline follows calls from industry organisations such as the Confederation of British Industry and the British Chambers of Commerce for unchanged interest rates. They fear higher rates would fuel the pound's rise, deepening manufacturers' plight. *Graham Bowley*

■ INVESTMENT REGULATION

Top assurer is fined

The Prudential, the UK's leading life assurer, is facing a bill of more than £100,000 ($161,000) for breaching watchdog rules on personal equity plans.

The group has been fined £75,000 by the Investment Management Regulatory Organisation and has paid £25,000 in compensation to 6,000 investors. It has been ordered to pay Imro's investigation and disciplinary tribunal costs, likely to run into thousands of pounds.

The fine relates to breaches of Imro's Pep rules between 1988 and 1994. Most of the Prudential's customers with self-select and single company Peps were affected. The group failed to reconcile and correct Pep client money accounts, was slow to notify Imro about the problems and had inadequate compliance arrangements in place, said Imro. The Prudential said it "very much regretted" the problems. It stressed it had taken remedial action and no customers had lost out. *Christopher Brown-Humes*

■ RETAIL CRIME VICTIMS

Compensation scheme considered

The UK government yesterday promised to consider a US-style "fast track" civil compensation scheme for retailers who have been the victims of crime, which is estimated to cost the industry some £1.9bn ($3.2bn) a year in Britain.

Mr David Maclean, a Home Office minister, said he would investigate the civil recovery system used widely by retailers in North America, which allows them to claim damages for theft and recover their legal costs.

On average, said the British Retail Consortium, a shop-worker in Britain is attacked every minute of the shopping day. Mr Michael Schuck, assistant director of the BRC's Retail Crime Initiative, said the system used in the US and Canada offered retailers an inexpensive way of reclaiming damages from criminals. *Peggy Hollinger*

■ MANUFACTURING TECHNOLOGY

US company in $15m investment

Gleason, the US manufacturing equipment company, is investing £9.4m ($15.7m) in its Plymouth plant in south-west England, which will safeguard the jobs of over 200 employees. The investment, aided by a government regional grant, will be in advanced manufacturing technology. Mr Ken Martin, chief executive of Devon and Cornwall Development International, the two counties' inward investment agency, said the Plymouth factory was set to grow with the new technology, providing a platform for manufacturing new product lines. *Roland Adburgham*

Eagle Eye · Louise Kehoe

Pitch beyond base

A new standard enabling easier creation of multilingual versions of pages will improve the Net's cultural reach

I call it the "World Series Syndrome". It is the peculiarly American view of the world that seems to pervade high-tech industries.

As sports fans will know, the so-called World Series is a baseball championship played by US and Canadian teams. The rest of the world is not relevant to the game. This is an attitude that reaches well beyond the baseball diamond.

Take, for example, the World Wide Web. Dominated by US websites, supported by software developed in the US, and run largely on US-made computers, it may be global in reach but it is distinctly American in style.

The web may, however, be about to become more culturally diverse. Unicode, a standard for the display of text that enables website publishers to create multilingual versions of their pages more easily, could be the way to a truly international Internet.

Supporters of the standard include a who's who of the software and computer industries. Netscape Communications recently took the next step by promising to incorporate Unicode compatibility in its future products. Let's see if the other baseball fans will follow.

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If you use Internet search services, you have probably noticed that advertising banners sometime relate to your search topic. You type in golf, for example, and an advertisement for golf clubs appears. This is a rudimentary method of targeting likely advertising prospects, or matching commercial messages to the interests of the consumer.

Cookies, the bits of information that some Internet sites plant in your computer files to give you an electronic identity, can also be used to build a profile of your interests.

But far more sophisticated methods of Internet targeting are just over the horizon. These involve tracking and recording the "clickstream" of users' movements on the web in order to learn and even anticipate their potential interest in a product or service.

Visit websites for watersports and fancy cars, for example, and you may become the perfect target for the adverts of an upmarket holiday resort.

Within six to eight months this technology may be in widespread use on the web, I am told. Good news for advertisers, perhaps, but a step further in the erosion of privacy on the Internet, I fear.

I am not persuaded by assurances that the clickstream will be anonymous. If websites that demand registration then link names and addresses to clickstreams there is clearly potential for abuse.

Another new development in web advertising that raises some tricky questions is the emergence of software that enables "geographic targeting".

Using software that traces the path of incoming signals, similar to those that you see at the top of an e-mail message, advertisers will be able to target Internet users in specific places.

Dominated by US websites, the World Wide Web may be global in reach but is distinctly American in style

A pizza store in Palo Alto, California, for example, will be able to advertise to local residents without wasting its messages on pizza eaters in London.

The same will be true of other content providers. Netscape, for example, is developing new versions of its website aimed at users in different parts of the world. It may decide to feed automatically the French version to users in France, for example, or the Chinese version to China.

All well and good, but once it is technically feasible to "target" specific communities, it may be equally possible to exclude others.

In the hands of censors or those determined to uphold the legal and social mores of a community, this software may represent a serious challenge to freedom of expression on the Internet.

It doesn't take a lot of imagination. Perhaps a US Bible Belt judge will ban "adult" web sites, or the government of some country will demand politically correct content.

Once web publishers have the tools to comply with such demands, they will be under intense pressure to use them if they are to avoid legal challenges.

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As America Online struggles to placate angry users of its oversubscribed services and fend off lawsuits, competitors are having a field day.

At the kickoff of the Super Bowl football game on Sunday, CompuServe aired a $1m television commercial aimed directly at disgruntled America Online users.

It began with a blank screen and the sounds of repeated unsuccessful attempts to connect to an unnamed online service. Then: "Looking for dependable Internet access? CompuServe. Get on with it."

Also, in a not so subtle effort to promote its own services, AT&T WorldNet has made it known that more than one-third of its new subscribers are switching from AOL in search of more reliable service.

The Internet access industry should not be so quick to throw stones. AOL is hardly the only service that has failed to expand its infrastructure fast enough to keep pace with a growing subscriber base. Neither is AOL alone in having technical problems that take some of its services offline from time to time.

How long will it be, I wonder, before other Internet providers find themselves at the wrong end of lawsuits?

The five class-action suits and threats of consumer fraud charges facing AOL may serve as an example of how users can fight back when they do not get the service they expect.

Moreover, the AOL debacle may discourage new users from trying any online/Internet service. In this emerging industry, bad news for one is bad news for all.

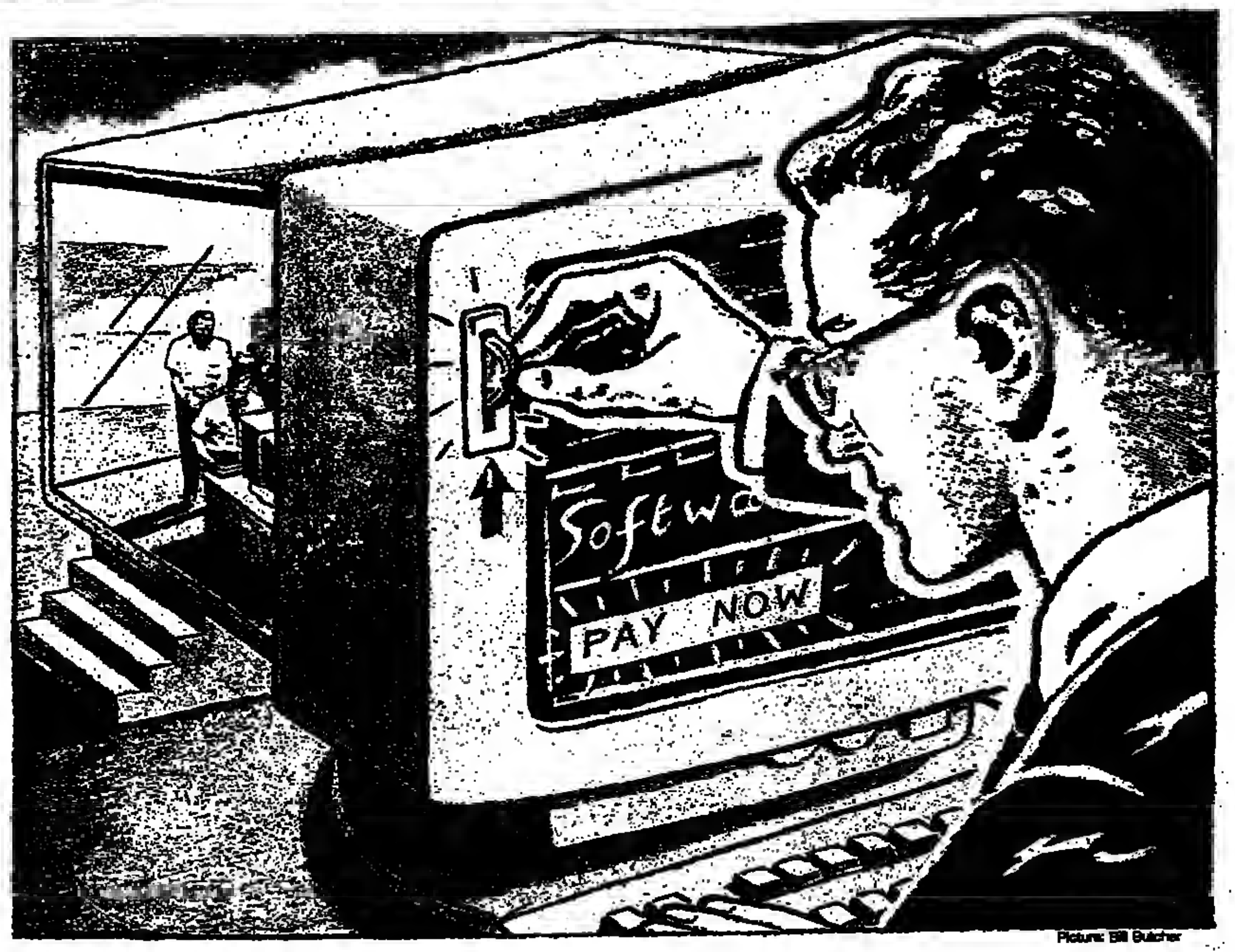
***

Bill Gates can afford anything, you might think. But not quite. Try searching the Microsoft website for win* (as in winners, windows or wink) and the response suggests some limit to his wealth. The query is "too expensive" to complete, you will be told. Poor Bill.

***

Share your views on Internet advertising, AOL, Bill Gates and all related topics in the Eagle Eye discussion group on the FT website: *www.FT.com*.

Contact Louise Kehoe: *louise@FT.com*



Picture: Bill Butcher

Using the Net · Joia Shillingford

Net's quicker delivery

Transformation of software distribution will reshape the market

Most software arrives in a huge box on a set of disks or a CD-Rom. It is usually expensive, bulky and heavily advertised; and the user pays for all that packaging and marketing.

But thanks to the Internet, this could be about to change. The Net threatens to transform the way software is distributed, priced, its size and the market's winners and losers.

Distributing software over the Internet to be downloaded by a computer from a web site has great advantages for start-up software companies. It lowers the entry-barrier, making worldwide distribution cheap and easy and eliminating the need to compete for retail shelf space against giants such as Microsoft.

It also means products can go from completion to distribution far more quickly. Getting software on to compact discs, boxed up with a manual and delivered to stores, takes at least several months. Loading software on to a web site for downloading can take minutes and costs almost nothing.

This means small, nimble companies can be very quick in getting their product to market. "The new business model is one-to-five guys writing an applet (mini-application) for the Net in a garage," says Michael Avis, Sun Microsystem's UK product marketing manager.

But distribution is not the only area of change. A lot of software is available free over the Internet, partly because secure payment methods aren't widely used and partly because giving it away is one way of competing against established software producers such as Microsoft. This approach is helping to depress prices and is also used as a way of building market share – then charging.

"Prices of software have come down in the last few years and will continue to fall," says Steve Roberts, Internet marketing manager at Intel Europe. "Small companies can be very aggressive on price and the availability of free software has a knock-on effect. Some companies offer a free trial online, then – if you pay – give you a code to unlock the full version."

Others are building up huge numbers of customers for free user software, then making money selling compatible software for server computers on the Net. For example, Internet browser company Netscape makes money on server software, but users often get its Navigator browser for free.

Similarly, Net surfers can download without charge Real Audio software, which lets them listen to music on the Internet. The company then charges companies which want to put compatible software on their servers.

A possible development – pay-as-you-go software – may hit some companies' profits. Larry Ellison, chairman and chief executive of Oracle, thinks that users will log on to the Net to use applets only occasionally. These could be components of the large software suites (such as Microsoft Office) people use on their desktop computers today. For example, they could log on to the Net to download readymade graphics to illustrate a report.

But Bill Gates, the Microsoft chairman, is not convinced. He says: "Once bandwidth goes up, we could distribute the content of a CD-Rom electronically, but we are not going to say 'go here for the grammar checker, go there for the spell checker'."

Software delivery over the Net is only viable if applications are fairly small, otherwise it takes hours. "The Net model of software makes suites of office software like Microsoft Office or Lotus's SmartSuite seem monolithic," says Avis. Software companies writing big applications may have to rethink the way they do things.

Loading software on to a web site can take minutes and costs almost nothing

The Net is also helping to establish new de facto standards other than Windows, such as Sun's Java language for writing applets (which can run on a variety of systems).

"There are lots of opportunities for developing new Internet software – in the areas of electronic mail, groupware, multimedia, video compression, security etc," says John Moroney, senior consultant at researchers Ovum. In particular, small applications take less time to develop, lowering the start-up cost for new entrants.

Yet there are still obstacles to be overcome before the new business model takes hold. Secure payment over the Net needs to be widespread; users need faster, cheaper phone lines for downloading software; and security needs to improve so that users do not risk downloading viruses with their software. Most of these problems are likely to be addressed over the next few years, with greater telecommunications capacity taking the most time.

Companies which will benefit from the new business model include Sun, Netscape and many newcomers. "It is impossible to say which companies will win from the Net," says James Eibisch of researchers Input. "Many of them will be new names. Who had heard of Netscape a few years ago?"

As development and distribution costs fall, European software companies may also challenge America's dominance in the industry.

Those most at risk will include those dependent on sales of proprietary operating systems and related products, and on feature-rich desktop software. Under pay-as-you-go, overhyped features won't generate much profit.

"Microsoft is not going to be able to hang on to its market share over the next five years," predicts Eibisch.

Avis says Microsoft's 90 per cent share of the operating systems market could fall to 70 per cent. But Gates's company is adapting to the new business model faster than many other established software companies, with free Internet browsers and paid-for software on the server.

"The Internet is already having a big impact," says Roberts. "Distribution via the Net has a great appeal for small companies, because they get to keep more of the profits."

As Avis says: "The Internet changes the rules of the software market completely."

This is part of a series on how different industries are using the Net. Previous articles appeared on November 20 and December 11.

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Chinese at a stroke

Kim Thomas looks at the latest character recognition business software

A new piece of software may be about to revolutionise Chinese businesses. Produced by Motorola's Lexicus division – specialists in handwriting and voice recognition software – WisdomPen enables Chinese users to write directly into their computers.

In trying to get to grips with the computer age, the Chinese have long been hindered by their language. Everyday Chinese has some 3,000 characters, which makes the use of a conventional keyboard impossible.

Different Chinese-speaking countries have dealt with the problem in different ways. In China, for example, the tendency has been to use a system of alphabetic codes to represent each Chinese character and specialist coders are employed to type in handwritten business reports and letters. In Hong Kong, on the other hand, businesses have used Chinese when speaking and English in written communication.

Attempts have been made to introduce Chinese character-recognition software, but the programs have been low both on speed and accuracy.

Written example: everyday Chinese has 3,000 characters Tony Andrews

WisdomPen is different because it can recognise cursive (joined-up) writing – the sort of writing that most Chinese would naturally employ.

It can also recognise the order of the strokes, important because so many Chinese characters are similar. With the aid of a special pen provided with the software, the user writes on to a digitalising tablet and the text appears on the screen.

"Handwriting recognition is very difficult to do; it's long been the holy grail," says Brenda Scarlot, assistant marketing manager at Lexicus. "WisdomPen allows people, for the first time, to write off the top of their head."

The system uses a combination of hardware and software. Electromagnetic technology allows the tablet to sense the position of the pen on its surface and pass the x and y co-ordinates in the order in which they were written to the WisdomPen software.

This converts the co-ordinates to strokes, analyses their sequence, matches the strokes to an internal dictionary containing 20,000 characters, and displays the result on the screen in Chinese fonts. It is clever enough to be able to interpret poorly written characters from context.

The release of WisdomPen has been well-timed. Later this year, Hong Kong will be returned to China and this will increase need for communication between them. However, each uses a different form of written Chinese: in Hong Kong, Chinese is written using a traditional character set, but in China a simplified set is used.

WisdomPen can recognise both traditional and simplified forms, as well as convert from one to the other. This means that the user can write in traditional Chinese and the text will appear on the screen in simplified Chinese and vice versa.

WisdomPen, which costs $200, runs under both Windows 3.1 and Windows 95. It has already been released in Taiwan and Hong Kong and will be marketed later this year in China, the US and Canada.

ARTS

Television/Christopher Dunkley

The short, sharp facts

Once in a while you get the feeling that there are more good fictional than factual programmes on British television, that drama and comedy are going through a good patch while current affairs and documentaries languish. Far more often, however, the reverse is true and the 1997 new year season is no exception. One reason may be that while drama and comedy are now limited almost exclusively to series, there is still considerable scope for factual programmes which come in ones, twos, threes, or fours.

For example, the oddest and most striking programme of the past week was a one-off documentary on Channel 4 called *Evita: The Unquiet Grave*. Cleverly timed to catch an audience which has recently seen the cinema version of the Tim Rice stage musical *Evita*, this provided a quick précis of the extraordinary, though now familiar, story of the life of Eva Peron, and then devoted most of its 60 minutes to tha even more bizarre and quite unfamiliar story of what happened to her after death.

Producer Ana de Skalon and director Tristan Bauer managed to persuade a succession of people to explain bow ber body was elaborately and expensively embalmed, so that all her internal organs were preserved and her joints and muscles worked. Successive intelligence chiefs then kept her corpse in a room next to their office and, according to one, his predecessor committed "serious, even un-Christian, acts against her hody". Fearing that the corpse could becoma the focus for Peronist demonstrators, the government secretly shipped it to Italy where it was buried under a false name, only being returned to Peron 14 years later. The programme managed to get bold of photographs taken by Peron after the exhumation, showing a broken nose and other damage. Finally we saw the family tomb where the body lies today.

Even when factual material is presented in the form of series these consist, more ofteo than not, of sequences of single programmes on all sorts of subjects, made by different producers: *Network First* (last night, dwarfism), *Secret Lives* (last night, Princess Margaret), *Inside Story* (last night oo naval survival courses), *Cutting Edge* (Monday, the 1994 helicopter disaster), *Horizon* (returning tomorrow with a programme aboot ancient bodies preserved in ice) and many more. Tonight BBC2 screens the first in a fascinating series called *The Aristocracy* comprising four programmes eacb lasting 50 minutes. It is virtually incooceivable that any network today would commission a four-part comedy series.

The Aristocracy provides almost as much entertainment as information, though the English families in question are so crammed with eccentrics that this seems to be more serendipity than deliberate planning by producer/director Sam Organ and director Rachel Bell. In today's programme Christopher Sykes explains his great-great-uncle's attempts to curry favour with the Prince of Wales, even enduring glasses, and eventually decanters, of brandy being poured over his bead; and we hear about the Marquis of Anglesey who had 400 pairs of pyjamas, liked his wife to come to bed in nothing but jewels, and often did "the butterfly dance" in bome dramas for which be hired West End professionals. These being the people with money, there is mucb good archive material, of course.

In vivid and depressing cootrast there is now virtnally no scope for short series of comedies or dramas, let alone one-offs. Consequently when you get a really rotten comedy – BBC2's *Grown Ups*, say, or Channel 4's *Captain Butler* – it goes on week after week. You wonder how a partnership as successful as Marks and Gran, responsible for such popular series as *Birds of A Feather*, *Goodnight Sweetheart* and *The New Statesman* could possibly come up with anything as unimpressive as *Grown Ups*, until it dawns on you that this must be an attempt to do an English version of *Friends*.

Like an English rodeo or an English baseball game, it proves to be not just inferior but positively embarrassing. It is one thing to have a crowd of good looking young Americans inhabiting a siogle apartment, with wise-cracks ricocheting off the walls, and quite anotber to bave a crowd of forty-something Brits in s flat, bickering and reliving their youth. As for *Captoin Butler*, with poor Craig Charles cast as the pirate king, we have seen nothing so consistently dim and witless since the days when Charlie Drake was regularly on screen.

Most bizarre: a wax museum restorer working on the body of Eva Peron in 'Evita: tha Unquiet Grave'

Craig Charles is also a member of tbe cast of *Red Dwarf*, a series whicb, like every otber batty space opera from *Star Trek* to *Blake's Seven*, from *Buck Rogers* to *Dr Who*, is becoming an international fad. But the new series makes the mistake of abandoning the original cheap and cheerful formula of claustropbobic studio set with jokes emerging from character and send-ups of previous space series. Instead we are getting tediously elaborate plots in whicb, for instance, our beroes change tbe course of history by time-shifting themselves into the Dallas book depository just as the crucial shots are to be fired at John Kennedy. Not for tbe first time, the producers appear to bave beeo more impressed than the viewers by previous atypically ambitious episodes sucb as the one set in a wild west saloon. *Red Dwarf*, like *Porridge*, is at its best when its characters are most closely confined.

The most promising of this season's sitcoms is ITV's *Holding The Baby* whicb stars Nick Hancock as a single-parent father with a fetching baby son and a slob of a brotber. Judging from an opening episode is perilous, but writer Mark Wadlow appears to have several strengths. Not only is be oot in thrall to feminism, be may actually be willing to have a go at this sour creed whicb dominates so much of television. (The idea that *Men Behaving Badly* is some sort of male backlash could only be believed by someooe who has oever seen the abject self-denigration of the men in that series).

There is a character named Laura in *Holding The Baby* who is not only a woman but a believer in aromatherapy, Chinese berbalism and so on, and still sbe is the butt of jokes. In the television of 1997 that suggests courage verging oo the foolhardy. There is probably a tribunal somewbere to which comedies of this sort are supposed to be reported.

It cannot, surely, be beyond the wit of everyone in network television to provide regular slots whicb can accommodate one- (or two- or three-) part dramas or comedies. Some might lead to longer series, but that need not be the object. God did not decree that television fiction sbould come only in long series.

★

From the viewer's angle the danger with Channel 4 is that, thanks to its financial success, it will turn into another commoo or garden commercial network. Michael Grade's greatest achievement as cbief executive for seven years has been to fulfil tbe famous "remit" in serving minorities and making programmes (not all, but a good proportion) that are different. Grade bas always combined the instincts of a populist with a powerful belief in freedom of expression, a combination which has served Channel 4 well. If we are to continue to have the benefits of Channel 4's difference then his successor – Alan Yentob from the BBC? David Elstein who has scarcely started yet at Channel 5? – will need that same bump of obstinacy and nonconformism possessed by both Grade and his predecessor, Jeremy Isaacs.

Theatre/Simon Reade

Relentless hunt for a husband

Amina, a Moroccan maid working in a central London botel, moans "I need an Englishman!" Her quest is the subject of *Paper Husband*, the first play by the Arab novelist Hanan Al-Shaykh, which has opened at Hampstead Theatre. Amina faces deportation unless she can claim British residency through a domiciled husband. She is side-tracked in her mission when she falls for the charms of a non-Moroccan Adonis.

Amina's man is Gabrial, an art school graduate who has been wasting his time Hoovering in the hotel. She ensnares him swiftly but he turns out to be unsuitable. He does, however, provide a catalyst for an odd hybrid of cod-Arabic and mischievous feminist humour, nicely pointed in Gemma Bodinetz's bright production.

The dialogue is sprinkled with bastardised Arabic proverbs: "Don't jump in to snatch up the egg before the bird has laid it". There are some smashing insults: "You've got fleas in your armpits..." (the colourful translation is by Catherine Cobham). Yet one-liners do not add up to sustained, characterful narrative, despite an additional fairy-tale frame. (A hungling fairy-godmother pimps unsuitable husbands for Amina: a Moroccan misogynist, a smelly tramp, a gay neighbour.)

Al-Shaykh touches upon the politics of immigration: the vexation of visa requirements in this country, the tacit approval of marriages of convenience, and the bumdrum émigré procurement of council flats and NHS glasses, subsidised "from the Queen's purse". Similarly she alludes to Britain's xenophobic paranoia about kidney-snatching, hashish-trafficking Arabs.

Amina and Gabriel seduce each other – he for an opportunist one-night stand; she to obtain a visa by luring a husband on paper. She finds herself wanting more commitment and falling in love. At this point the urgency of the plot is lost. He is callous: "We had a nice time together, all right? But don't spoil it... I can't commit myself to an idea, so how can I commit to a woman?"

Sasha Behar's petulant Amina has a smart feline smile, though ber performance turns a bit mawkish. Rupert Penry-Jones's Gabriel – arch, but not much of an angel – is irresponsibly lazy, egotistical, and yet utterly charming. He has all the accoutrements of the seasoned traveller abroad, down to the rainbow poncho, but the sneer of someone wbo has not been further than the Chelsea Art School. It is a super, studied performance.

Rupert Penry-Jones and Sasha Behar as Gabriel and Amina in Hanan Al-Shaykh's first play Alastair Muir

Lucy Hall's design is cleverly dominated by a bed – in the hotel-room, in Amina's bed-sit. The bed is an inviting, comfortable arena of sexual activity. It is also a purposeless, empty vessel for the lonely, unloved insomniac. Bodinetz's production digs as deep as the play will allow, below the fragile comedy into tbe deep despair.

At Hampstead Theatre until February 22 (0171-722 9301).

Recital

A Debussy marathon

I went to Philippe Cassard's Debussy marathon at the Wigmore Hall on Sunday, partly to find ont wby be had undertaken it. It seemed an odd thing to be doing: all the solo-piano pieces worth playing – nay, more – in four recitals, from 11.30 in the morning until 9.45 at night. By the end I was none the wiser about that, though there had been enough musical pleasures to justify the day.

From experience (especially at Finland's Kuhmo Festival, where he is a regular team-member) I know Cassard to be an excellent pianist and musician, adept in many idioms. Actually be over-egged each of his Debussy programmes at the Wigmore by inclnding another piece by some composer who mattered to Debussy: Ramean (played with elegant distinction), Cbopin's Barcarolle, Wagner in an anonymous transcription of "Träume" from the Wesendonck songs, Fauré's Sixth Nocturne.

Theoretically the four programmes were organised around those distinct influences, but in practice too mnch Debussy that answered to none of them had to be got in. We beard too many of bis "jnvenile" pieces, before he turned 28: be was a precocious talent, bnt his genius took longer to burgeon. The "mature" Debussy lineaments one detects in that early music are his least original ones (Ravel, his junior, broke radical ground mnch earlier).

After the first eight bours it was downright uncomfortable, at the midpoint of Cassard's last instalment, to switcb from innocent 19th-century Debussy to the grown-up, richly sednctive stuff.

In the juvenile pieces Cassard was mock-naively charming, just as required – though he played most of them from the printed music. So he did with Debussy's two mnch later books of *Etudes*, which betokened trouble. A pianist wbo needs the visible notes to guide his performance of Chopin's *etude*-figurations (or Liszt's, or Liapunov's) is at a real disadvantage, unless he or she has perfect eye-and-finger co-ordination; but those who have to have Debussy's visionary *Etude*-texts before their eyes – printed on three staves, in harmonies dense with double-flats and -sharps – can never be ideally comfortable with them.

In fact Cassard sounded under-practised there. Though the first study "Pour les cinq doigts", a whimsical joke about piano-practice, was properly playful, the studies in (respectively) thirds and fourths found him plucky but not brilliantly fluent. In the octave-study his bass octaves were all over the lot – as also in the study "Pour les accords", a test of striking cbords high and low in breathless succession.

In a grand conspectus like Cassard's, one expects superlative polish in all the major works; attractively stylish playing in a slew of minor pieces is too little compensation. But he displayed so much canny, beautiful accomplishment in the other main works – the *Estampes*, the paired books of *Images* and *Préludes*, and for good measure the earlier, exuberant *Pour le piano* suite and *L'Isle joyeuse* – as to scotch any disappointment.

Debussy's mature piano-music could well be squeezed into two recitals instead of spread through four, leaving Cassard more time to practise the *Etudes* – even perhaps to learn them by heart. At his best, bowever, Cassard realised "Brouillards", "Pagodes" and "Cloches à travers les feuilles" in gorgeous, many-levelled sound that set the Wigmore ringing.

With the simplest pieces be was brusquely tender, full of bonest feeling without sentimentality. We need this thoughtful, well-ednceted pianist; he may become a stapla.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Het Residentie Orkest: with conductor Ton Koopman and violinist Marieke Blankestijn and the Amsterdam Baroque Choir perform works by Schubert; 8.15pm; Jan 31

■ BERLIN

DANCE
Deutsche Oper Berlin Tel: 49-30-3438401
● Ballett der Deutschen Oper Berlin: perform Jiri Kylian's "Stamping Ground" to music by Chávez, William Forsythe's "In the Middle Somewhat Elevated" to music by Thom Willems and Dietmar Seyffert's "Heimkehr" to music by Mahler; 7.30pm; Jan 31

■ DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● András Schiff: tha pianist performs works by Schubert. Part of the bicentenary of tha birth of Schubert celebration; 8pm; Feb 2

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● James McIntosh Patrick: exhibition marking the artist's 90th birthday and featuring around 10 oil paintings, watercolours and prints. McIntosh Patrick's work concentrates on minutely detailed panoramic landscapes; from Feb 1 to Apr 20

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24862612
● Italienische Zeichnungen der Renaissance: display of drawings from the museum's own collection covering the Renaissance period from its formative years (Mantegna and Botticelli) through to the later works of Leonardo, Raphael and del Sarto; to Mar 23

■ HELSINKI

EXHIBITION
Art Museum - Ateneumin Taide Museo Tel: 358-9-173361
● Exlibris Exhibition: a comprehensive survey of exlibris art from Finland. Included are works by such masters as Aksell Gallen-Kallela, Louis Sparre and Hugo Simberg, as well as contemporary graphic artists such as Pantti Kaskipuro and Simo Hannula; to Feb 2

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Michael Thalmann: the pianist performs works by Bach, Bloch, Liszt, Holliger and Schubert; 7.30pm; Jan 30

EXHIBITION
Victoria & Albert Museum Tel: 44-171-9388500
● Living Silver: a display of 21 silversmiths commissioned by the Crafts Council to produce creative, affordable and functional domestic tableware. Pieces include a candleholder, a champagne flute and a parmesan grater. All the work is available to buy; to Apr 2

THEATRE
Cottesloe Theatre Tel: 44-171-9282252
● The Cripple of Inishmaan: by McDonagh. Directed by Nicholas Hytner. The cast includes Ruaidri Conroy and Anita Reeves; 7.30pm; Jan 30, 31; Feb 1 (also 2.30pm)
Wyndham's Theatre Tel: 44-171-3691736
● Art: by Reza. Directed by Matthew Warchus (in English). The cast includes Albert Finney, and Tom Courtenay; Tue - Sat 8pm, Sun 5pm (Wed also 3pm, Sat also 5pm); to Mar 9 (Not Mon)

■ LOS ANGELES

EXHIBITION
Huntington Library, Art Collection and Botanical Gardena Tel: 1-818-405-2100
● Let There Be Light: William Tyndala and the making of the English Bible: exhibition tracing the life and work of the Gloucestershire priest William Tyndale, who first translated and printed tha Bibla in English in the 16th century. The highlight of tha display is the only surviving complete copy of the first edition of his New Testament, dating from 1526 and seen for the first time in the US; to Feb 7

■ MADRID

EXHIBITION
Fundación Juan March Tel: 34-1-4354240
● Toulouse-Lautrec (from Albi and other collections): exhibition of 55 works by the French painter Henri de Toulouse-Lautrec, 27 of which come from the the Toulouse-Lautrec Museum in Albi, the birthplaca of the artist. Included are 40 paintings and 15 lithographs; to Feb 23
Palacio de Velázquez Tel: 34-1-573-62-45
● Juan Muñoz: exhibition devoted to the work of this Spanish sculptor. The display features 89 sculptures, drawings and sketches and aims to give insight into the artist's working methods; to Feb 15

■ MILAN

CONCERT
Teatro alla Scala di Milano Tel: 39-2-88791
● Soloists of the Orchestra del Teatro alla Scala: perform works by Brahms and Schubert; 8pm; Feb 2

■ MUNICH

OPERA
Cuvilliés-Theater - Altes Residenztheater Tel: 49-89-296836
● Giulio Cesare: by Handel. Conducted by Ivor Bolton and performed by the Bayerische Staatsoper. Soloists includa Ann Murray and Kathleen Kuhlmann; 7pm; Feb 1

■ NEW YORK

AUCTION
Christie's, Manson & Woods International, Inc. Tel: 1-212-546-1000
● Old Master Paintings: the sale includes Bellini's "The Madonna and Child with a Goldfinch", Giordano's "The Immaculate Conception" and "Youth Picking Grapes at Night" by Veláquez; 10am; Jan 31

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur perform works by Schubert; 8pm; Jan 30, 31

■ PARIS

EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Jesùs Rafael Soto: retrospective exhibition devoted to tha work of the Venezuelan contemporary artist Jesùs Rafael Soto. The main focus is on his work in the mid-1950s. Included are his paintings on Plexiglass; to Fab 16

OPERA
Théâtre de l'Opéra Comique Tel: 33-1 42 44 45 46
● Le Comte Ory: by Rossini. Conducted by Rico Saccani, performed by l'Opéra Comique and the Jeune Théâtre Lyrique de France. Soloists includa Rockwell Blake and Marie-Ange Todorovitch; 7.30pm; Jan 30; Feb 1

■ THE HAGUE

DANCE
Lucent Danstheater Tel: 31-70-3609931
● Nederlands Dans Theater II: perform Hans van Manen's "Solo", Johan Inger's "Sammanfall", Lionel Hoche's "Volubiles" and Joe Kanamori's "Under the Marron Tree" to music by Mahler; 8.15pm; Jan 29, 30

■ ZURICH

OPERA
Opernhaus Zürich Tel: 41-1-268 6666
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Edward Mortimer

Action for peace

Politicians should focus on conflict prevention, even though success is hard to measure and earns scant credit

Most of today's conflicts start within states rather than between them, but they often spill across borders. That makes them impossible for other states to ignore, yet very awkward and expensive for them to deal with. Seeking a way of "stopping wars before they start"* is thus a matter of self-interest as well as philanthropy.

"Conflict prevention" has become of intense interest to foreign policy specialists, the subject of endless symposia and seminars. The latest, held in London last week, heard two case studies: one about the Great Lakes region of Africa, where conflict prevention has clearly failed; the other about the Baltic states, where so far it has succeeded.

In the context of the Great Lakes, the dear old "international community" was lambasted once again for helping to rebuild the Rwandan Hutu militia responsible for the 1994 genocide, and so failing to prevent the current fighting in eastern Zaire. It was said to have done this by supplying food to refugee camps which the militia controlled, without disarming the "intimidators" or separating them from the civilians. This, we were told, could easily have been rectified by deploying "a few hundred soldiers".

If only life were that simple. In the real world, conflict prevention is seldom an easy option, because you cannot prove in advance that it will work. You know when it has failed, but if it succeeds, there is always the suspicion that it was not really necessary in the first place.

That applies even to Nato and the European Union, which between them are credited with keeping the peace in Europe for 40 years. It is not certain that the Soviet Union would have invaded western Europe if Nato had not existed, or that France and Germany would have reverted to war if the EU had not come into being.

How much more, then, must there be doubts about the efficacy of someone like Mr Max van der Stoel, high commissioner on national minorities for the Organisation for Security and Co-operation in Europe (OSCE).

He has a tiny staff and a tiny budget, and yet he may have prevented conflict in the Baltics by persuading Estonia and Latvia to be slightly less provocative in their treatment of ethnic Russians. But the conflict may yet happen, or maybe it would have been avoided anyway – without OSCE intervention.

You never hear about Mr van der Stoel, which may be the secret of his success. As Mr Marrack Goulding, the UN undersecretary general, said when a TV company asked him where it could film preventive diplomacy at work: "If you can film it, it probably isn't working."

A related problem is identified by Mr Jonathan Eyal, director of studies at London's Royal United Services Institute. "In electoral terms," he wrote last year, "convincing politicians to invest in conflict prevention is like asking a teenager to start saving for a pension: the argument may be correct, but the advantages are too hypothetical to seem real at the time."

There are few clear rewards for a politician who takes risks or commits national resources to deal with a conflict which has not yet happened. It is true the costs of not doing so may eventually be much greater, but they cannot be assessed in advance with any certainty. In any case, the chances are they will be suffered by someone else, after the next election.

It would be something, at least, if governments could abstain from actions that actually increase the possibility of conflict. Many governments now require an "environmental impact assessment" as part of the decision-making process on planning and economic issues. Perhaps all foreign-policy decisions should be subject to a "conflict impact assessment".

This would apply most obviously to arms sales, or to diplomatic decisions such as the recognition of new states. But it could also have been applied, for instance, to the British government's decision in early 1982 to withdraw the naval exploration vessel Endurance from the South Atlantic, which led the Argentine government to think (wrongly) that Britain would not oppose a forcible seizure of the Falkland Islands.

Conflict prevention requires concerted action by international bodies. Even the US, as the sole remaining superpower, cannot always influence events in foreign countries without enlisting the co-operation of other states.

In Europe, the best bet must be to strengthen and enlarge the EU, while using the OSCE to formalise the Russian role in European security, thereby heading off a potential conflict arising from Nato enlargement.

Conflict prevention also requires, at a minimum, effective and well-trained diplomats in zones of potential conflict. That means making clear choices about the allocation of national resources, rather than subjecting all departments to the same squeeze.

Expenditure on national security needs to be looked at as a whole, so that the value of money spent on diplomacy can be weighed fairly against the much larger sums still spent on weapons.

All this requires politicians to rise above their limited horizons and exercise leadership. Perhaps, in today's democracies, that is asking too much.

* *This is the subtitle of* Preventive Diplomacy, *ed. Kevin M. Cahill (Basic Books, $25.00), a symposium with contributions by senior UN officials, including Mr Kofi Annon, the new secretary-general, as well as experienced conflict mediators such as Lord Owen and Mr Cyrus Vance.*

Africa's Great Lakes: where conflict prevention has failed

LETTERS TO THE EDITOR

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History suggests central banks will soon start to hoard gold

From Mr W. Robert Hoye.

Sir, Robert Chote's conclusion ("The golden hoard", January 21) of there being little likelihood of a large selling spree of gold by central banks is reasonable. Although some countries are aware that rising gold prices would impede their ambitious issue of currency and debt, street opinion that some central banks have forced gold down should be placed in perspective.

Including this bull market, there have been six great inflations in financial assets since the South Sea Bubble of 1720. Other than ending with a speculative frenzy, the most reliable features have been declining real long interest rates and declining real or deflated gold prices. Given the powerful action in securities markets, gold would likely have declined without central bank selling.

In each case, once securities speculation was over, real prices of gold rallied for three years. Human nature of central bankers suggests that, with rising prices, their "selling spree" could become a hoarding spree.

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No logic in allowing slots to be sold

From Mr Cyril D. Murphy.

Sir, Your article on the British Airways/American Airlines alliance ("In-flight politics", January 18) clearly outlines why the proposed link-up will have a significant impact on traffic between the EU and America. There is one point, however, on which some clarification may be useful.

A key dispute between London and Brussels is whether BA and American should be entitled to sell the slots they will be required to relinquish as a condition of approval. You argue that EU competition commissioner Mr Van Miert's "logic seems to have gone awry" in resisting a sale, suggesting a buy/sell rule is a market efficiency that will improve airport operations. But these are two separate issues that must be addressed separately.

A buy/sell rule, which we fully support, would result in a more efficient market allocation of available slots, compared to the current administrative allocation. Such a practice should be allowed. That does not mean, though, that BA and American should be compensated for significantly reducing competition by combining their considerable market shares. There is ample precedent for such relinquishing of assets when companies merge. BA relinquished slots as part of its acquisition of British Caledonian, and USAir was forced to relinquish routes – assets otherwise freely bought and sold in the US – as part of its alliance with BA.

In fashioning conditions for a BA/American alliance, the key is to create an incentive for other carriers to compete with the alliance's dominant share. Making competitors pay for the privilege of competing achieves the opposite result.

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Uzbekistan right to protect reserves

From Mr Ronald Kennedie.

Sir, Your article "Uzbek bid to curb market forces backfires" (January 15) was very interesting but, I feel, omitted some essential background explanations to the situation. Left with an agricultural monoculture (cotton) by the former USSR, the impact of fluctuations in volume and price of that commodity has had a larger impact on the economy than could be considered desirable and for that reason would have forced any government to take action.

Although Uzbekistan has considerably increased its industrial output, to the extent that it is the only Commonwealth of Independent States country that has shown a real increase in comparison to 1991, the year the USSR was dissolved, a lot of the effect stands to be undone by uncontrolled and speculative trading in a low-quality and overpriced product, endangering a substantial part of the currency reserves so carefully built up and needed for further expansion of the economy.

For that reason the Central Bank did not just revoke all convertibility licences as the article states but replaced the old system with a new one that allows for better control and will allow for excesses to be avoided. Part of this system is to allow a larger convertibility for products needed, and at present, not being manufactured in Uzbekistan. This explains the logic behind your article's humorous examples of restrictions on certain products.

At present, Uzbekistan has reserves that cover about seven months' imports – roughly three times the reserves a western country tends to keep. This in itself explains the commitment of the Uzbek government to stable and cautious financial policy.

Uzbekistan is not obsessed with control, but it is rightfully concerned about the undesired consequences of a lack of control as have occurred in a number of the other countries within the CIS.

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Japan happy to reveal differences

From Mr Yuuichi Kusumoto.

Sir, Your article on the OECD Air Transport Report "OECD air transport report angers the Japanese" (January 20), and the editorial "Flying low" (January 21) chastises Japan for being the first country to break with the time-honoured tradition of consensus within the OECD and for openly criticising the report.

Indeed, consensus forms the backbone of OECD decision-making. But it should also be noted that consensus can be, on occasion, a mixed blessing. In the past, it has meant that some excellent OECD reports could not be published because they lacked unanimous approval by member countries.

In the OECD air transport meetings, divergent views were expressed. Japan attempted to present a realistic and reasonable path to a more liberal and competitive international air transport scheme. Unfortunately, this was not supported by the majority.

Japan agreed to the publication of the report despite the fact that it did not support its findings, on the condition that the repeated minority views be also published. This compromise was greeted in the OECD with applause rather than criticism.

It is often difficult to reach a consensus in an international forum, particularly on delicate issues on which countries have widely divergent opinions. When this arises there are a limited number of solutions: kill the entire process with a minority veto; invoke majority rule; or candidly admit to and set out the differences in the hopes that future debates will bring the parties into closer accord. In the interest of intellectual integrity and to ensure that the report sees the light of day, Japan opted for the third solution.

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Personal View · David Marsh

Call for a reality check

Financial markets seem oblivious to the possibility of the EU missing its Emu timetable

The financial markets appear to have little doubt that a "wide" economic and monetary union in Europe, including Italy and Spain, will start in January 1999 in line with the Maastricht timetable.

Anticipation of a smooth ride to Emu has increased European politicians' belief – much displayed at last month's Dublin summit – that the prize of the single currency is within reach.

The weakness of the D-Mark, the sharp narrowing of the yield gap between between German and peripheral European bonds, and the end-1996 spurt in most European stock markets can all be ascribed to investor confidence that Emu will begin on time with a large number of participants.

But the acceleration of the Emu bandwagon generates a risk of a disruptive reversal on European financial markets this year. Investors appear to be ignoring economic and political factors that make a "wide" Emu highly unlikely and cast doubt on whether even a "narrow" monetary union is achievable by 1999.

There is widespread recognition that, when the planned decisions on Emu start-up are taken in 1998, most EU members will not quite reach the Maastricht treaty's economic convergence criteria on the size of their public-sector deficits and debts.

It is widely assumed, however, that governments will resort to the treaty's "escape clauses", allowing participation by states that are either moving towards the treaty's "reference values" or have exceeded them only temporarily. Emu would then go ahead with at least 10 members as a result of governments' overriding political will.

There are six reasons why the assumption that Emu will be implemented does not allow sufficiently for the risks.

First, the overshooting of the fiscal convergence criteria will be too large to afford generous treatment across the board. Although most countries are making considerable efforts to reduce budget deficits in 1997, the European Commission's forecast that 12 will meet the Maastricht target of 3 per cent of gross domestic product is unrealistic.

The latest prediction from the Organisation for Economic Co-operation and Development that nine will meet the 3 per cent target is also likely to prove optimistic. According to OECD forecasts, 12 countries will have public debt in 1997 greater than the Maastricht target of 60 per cent of GDP.

Second, the room for a purely political decision to over-ride the fiscal criteria is limited. Mr Theo Waigel, the German finance minister, has stated that if leading countries showed deficits of 3.5 per cent in 1997 then "everyone knows that monetary union will not take place in 1999". The Bundesbank has pointed out that EU members will have to register "sustainable convergence" by 1998, relying on more than mere one-off budgetary corrections.

> **Discord on how to manage areas such as defence and foreign policy, as well as immigration and judicial matters, will stymie any agreement**

Third, the danger of an Emu split between France and Germany has not disappeared. The compromise over the stability and growth pact agreed at the Dublin summit to restrain post-Emu budget deficits may prove unsatisfactory for both Germany and France. For the Germans, it looks too loose; for the French, it smacks of a German diktat.

Another harbinger of possible trouble is the recent nomination to the Bank of France's monetary council of two functionaries reputed to favour lower interest rates and a more "flexible" D-Mark/franc stance.

Fourth, many commentators have lost sight of the political complexity of the 1998 decision-making process.

The European Monetary Institute, the forerunner of the European central bank, is highly unlikely to give its blessing to a "wide" Emu in its convergence report in early 1998. Many EU governments – as well as the European and German parliaments, which will also have to discuss the issue, will lean towards a "wide" Emu.

The EU's summit in early summer 1998 will have to decide (by qualified majority voting) which countries can participate. There will be a conflict of interest between participants and non-participants which could easily produce deadlock.

Fifth, over the next six months Emu's fate will become increasingly intertwined with that of the intergovernmental conference on EU reform. According to Mr Helmut Kohl, the German chancellor, this was supposed to produce agreement on European political union.

In fact, discord on how to manage areas such as defence and foreign policy, as well as immigration and judicial matters, will stymie any thoroughgoing agreement – another complication for the German public debate on Emu.

Sixth, technical factors make it highly unlikely the European central bank can start operations by January 1999. Even if EU heads of government can agree on Emu participants in summer 1998, that leaves just six months to cram in all the preparations for the central bank's start-up. This includes the selection of its executive board and the completion of all outstanding information technology projects. The timetable is not realistic.

Most of these risks are fairly obvious, but there is little evidence of alarm. Could this change in the coming months? Possible flashpoints that could spark financial market unease include the announcement of relatively poor first-quarter growth and deficit figures for Germany, France and Italy; fresh discord over the intergovernmental conference; social unrest in France; tough German statements over the convergence criteria, and Bundesbank hesitation over a further cut in interest rates.

Understandably, the EU's leading politicians have so far not wanted to consider postponing Emu beyond January 1999. Over the next 12 months, however, a delay may begin to look not simply a realistic option, but rather the only one available. Financial markets should prepare for a slowdown of the Emu bandwagon.

The author is director of European strategy at Robert Fleming

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Hoping for the best

Most of the German cabinet would dearly love to put European monetary union behind them. Or at least, they would like to put the messy business of qualifying for it behind them. Thus ministers yesterday played up the long-term, reformist elements of the government's annual economic report rather than the uncomfortable short-term arithmetic.

With or without Emu, Germany will not be able to find jobs for the unemployed or achieve steady, long-term growth in living standards without concerted supply-side reform. So Mr Günter Rexrodt, the economics minister, should be praised for using the report as an opportunity to reaffirm his commitment to liberalising the domestic electricity and gas markets and freeing up the service sector.

To judge by the immediate response to his plans, Mr Rexrodt may be underestimating the likely opposition to even these quite modest proposals, from within the government as much as outside it. But like the government's tax reform proposals, outlined last week, they would all be steps in the right direction.

Yet no amount of talk about the long term can make up for the blots in the more immediate economic landscape – growth and public borrowing. The government has the embarrassment in this report of having, once again, to revise upwards the official forecast for German general government borrowing next year, from 2.5 to 2.9 per cent of GDP. If achieved, this would still allow Germany to argue for a "strict" enforcement of the 3 per cent of GDP required by the Maastricht treaty.

Yet it is not clear that the new official numbers add up. A survey published earlier this month by Consensus Economics suggested an average forecast among private-sector European economists of a general government deficit at 3.2 per cent of GDP. The OECD predicts 3.4 per cent. Of course, the government's forecast could turn out to be right, and the others wrong. But the economic assumptions underlying it are roughly the same as everyone else's. The suspicion must be that politics, rather than economics, explains the gap between the two.

Politics and, perhaps, the absence of alternatives. Admitting the deficit could overshoot would mean coming up with new tax or expenditure changes to make up the shortfall. The government's own pronouncements have left it very little room to do either. Better by far to hope that the economy will once again surprise the doubters, with a spirited recovery from its end-of-year doldrums. With the currency still on the decline, and monetary conditions still loose, this is not impossible. It is, though, a gamble – and for high stakes.

Chinese light

Yesterday's alliance between Citic Pacific and China Light & Power marks yet another stage in the restructuring of corporate Hong Kong ahead of July's handover. A common theme of these deals is the need for companies to adjust their Chinese relationships in a market where the pecking order has changed.

That Hong Kong business should move in this way is both natural and inevitable. In the heyday of British colonial rule it was British companies like Hongkong Bank, Jardine Matheson and Swire which held sway. Now the influential players are those with China connections, like Citic Pacific whose parent is one of the mainland's largest state conglomerates.

But the slew of deals, which also include last year's reshuffling of stakes in the airline sector and the more recent restructuring of his empire by Mr Li Ka-shing, the Hong Kong billionaire, involve a shift of emphasis which is not necessarily for the better. All the deals are essentially focused on China. They suggest diminishing concern with the territory's role as a Pacific business centre.

Yesterday's deal is a case in point. China Light will benefit from Citic's connections which will help it build up its power business in China. Citic is acquiring a stake in a cash generative business, for which it is paying a fair price.

Some of the other deals have more disturbing overtones. The recent acquisition by Mr Larry Yung of a large block of shares in Citic Pacific, of which he is chief executive, was a sweetheart deal, wholly lacking in transparency. It bodes ill for the integrity of Hong Kong's financial markets if such deals proliferate.

The airline reshuffle gave the commercial arm of China's airline regulator a stake in Dragonair, Hong Kong's second airline, which subsequently won rights to fly to Taiwan. That smacks of a favouritism at odds with China's avowed intention to keep Hong Kong a place of free competition and equal opportunity.

Cynics will remark that such behaviour is just what one might expect from a Hong Kong under Chinese control. Perhaps it was wrong to take too literally China's promise not to interfere in Hong Kong's economic affairs.

Hong Kong may indeed prosper after July, but it will be a different place. It now looks set to be one that looks more inward to China than outward to the Pacific, and one that adheres to a distinctly Chinese form of capitalism in which the right connections are paramount. No one who has followed the evolution of its corporate structure can claim they were not warned.

C4 after Grade

Anyone who runs a public service broadcasting channel with a statutory remit to be innovative cannot expect the warm, consensual pat on the back that accompanies departure from a more conventional job. The media verdict on Mr Michael Grade, the outgoing chief executive of Channel 4, has thus, unsurprisingly, been hedged about with caveats.

For some, the prevalence of imported US comedy series on Channel 4 has detracted from its creative achievements in promoting British film-making. The pleasure taken by others in a superb recent exploration of 20th century music by Sir Simon Rattle is offset by the channel's readiness to broadcast items of more questionable taste. In current affairs, there is criticism of a move down market. Yet for all the carping, what cannot be denied is that Mr Grade leaves a very robust inheritance for his successor.

The channel's share of all television viewing has been running at around 11 per cent, which is above the target originally set for Mr Grade's predecessor, Sir Jeremy Isaacs. It is also impressive given the intensity of the competition that now prevails in a market invaded by satellite and cable. After a fierce lobbying campaign Mr Grade succeeded in killing off an increasingly pointless levy payable by Channel 4 to the independent television companies. This will permit a reduction in the dependence on US imports and an increase in British film- and programme-making.

If Mr Grade proves to have won the battle to prevent the privatisation of this profitable statutory corporation, which is unique in the world in providing public service broadcasting without the help of subsidies or licence fees, it will probably be a good thing. Private sector ownership could only increase the pressure on the channel to deliver conventional programmes to a mass audience.

That is the nature of a market in which television companies sell audiences to advertisers rather than programmes to individual viewers. The notion that a more aggressive mandate for the watchdogs of the Independent Television Commission would satisfactorily resolve the conflict of interest between shareholders and viewers seems highly questionable.

What, then, should be the priorities of any successor to Mr Grade? First and foremost, to recognise that this robust inheritance should be a licence for more innovative risk-taking, not less. In a competitive market where ever more programmes are re-packaged, recycled or reliant on safety-first content, a radical public service ethos is a cultural asset of immeasurable value.

Change to its credit

American Express is seeking to regain lost ground through cutting costs and entering new markets, writes **John Authers**

Five years of cost-cutting at American Express, the financial services giant, have not been enough. On Monday, the company announced it would be laying off 5 per cent of its workforce and taking a restructuring charge of $125m. Expenditure will be redirected towards regaining market share.

Yet in spite of a sharp fall in American Express's share of the plastic card market since 1990, investors have so far been kept happy by a consistent rise in the company's profits and share price.

But Mr Harvey Golub, chief executive since 1993, now needs to prove to Wall Street he can improve the company's sluggish revenue growth. Turnover increased by only 2.5 per cent in 1996. American Express must regain the ground it has lost to rival cards, particularly Visa.

"They've been able to achieve close to 15 per cent growth in earnings per share in each quarter for the last 15 quarters without a lot of growth in revenue or market share," says Mr Mark Alpert, credit card industry analyst with Alex Brown, a Wall Street brokerage. "They've done that by cutting costs and buying back stock. To continue, they will need revenue growth."

Mr Golub recognises the challenge. He lists American Express's main problem as "continued market share and margin erosion in several businesses, a cost structure that is still too high and an infrastructure that, in many areas, is not equipped to deal with the rapidly changing competitive environment".

The company's falling share of the US market is at the heart of the problem. Its share of the total volume of US card transactions has slipped from 22.9 per cent in 1990 to 15.9 per cent in the third quarter of last year, according to RAM Research, a Maryland-based company.

Most of its business went to Visa, which now has almost 10 cards in circulation in the US for every American Express card – 268m against only 28.4m. Between 1990 and the third quarter of 1996, Visa's market share grew from 44.7 per cent to 50.4 per cent. The Dean Witter Discover card also made inroads into American Express's business, increasing its market share from 4.9 per cent to 6.8 per cent.

The management attributes the poor performance to the failed marketing policies of the past. Mr Kenneth Chenault, Mr Golub's deputy, goes so far as to say that American Express was "once ranked among the world's most arrogant companies" for "thinking it could have the world its own way. Competition [was] shouldered aside and dismissed".

The company has spent the past 12 months trying to right the situation. It now offers a range of credit cards which allows customers to borrow, in addition to its standard debit card which has to be repaid monthly.

It has also belatedly expanded the range of retailers that take its cards. By June last year, it was accepted by 34 per cent of US supermarkets, compared with less than 1 per cent four years earlier under Mr Jim Robinson, Mr Golub's predecessor.

"We found out the hard way that our attitude was wrong," says Mr Chenault. "We accepted that even our affluent customers wanted to use their cards at K-Mart and Wal-Mart."

American Express has also launched a series of "co-branding" deals with companies such as Sheraton Hotels, Delta Airlines and even the New York Knicks basketball team. Most of the latter's supporters are far removed from the company's traditional target market of wealthy executives.

In the most dramatic reversal of American Express's traditional thinking, Mr Golub last month held exploratory merger talks with Citicorp. Plans do not appear to have made much progress. But news that talks had taken place with such a powerful rival left watchers on Wall Street surprised.

The savings from the latest round of cuts announced on Monday, in which 3,300 jobs are to go, will help achieve "aggressive growth targets", Mr Golub says. "These initiatives are being implemented in support of and, indeed, to help facilitate our strategies for growth. They in no way signal a retrenchment or change in strategy."

Expenditure saved from the exercise will be redeployed in three areas identified by Mr Golub as the most promising sources of revenue growth. These are its financial services arm, its card operations outside the US, and a new project to offer cards in conjunction with US banks and other companies.

Revenues have already started to grow in the financial services arm. Last year, this benefited from the exceptionally strong market for mutual funds and from aggressive promotions offering points in the Amex card rewards scheme in return for investments.

The division's 1996 profits rose 18 per cent to $594m, with revenue up 11.3 per cent to $4.11bn. It is now competing with established firms such as Charles Schwab, Merrill Lynch and Fidelity Investments.

American Express's ambitions to build overseas and to forge links with US banks have an even more formidable opponent – Visa. American Express must beat its rival both in the marketplace and the US courts.

Outside the US, progress has been considerable. The company successfully forced the abandonment of a Visa bylaw that had prohibited its member banks from offering Amex cards in Latin America. In Europe, Visa withdrew the bylaw under pressure from the European Commission. Last month, NatWest, the UK bank, agreed to offer Amex cards in what the company considers a landmark deal.

But its attempt to forge links with US banks promises to be protracted. The Justice Department is investigating whether bank card associations violate US competition rules. The probe is strongly resented by the banks, many of which blame American Express for intrusion on their business.

Last year, both Visa and the smaller MasterCard took legal action to block an innovative American Express programme. This would have allowed Advanta, a Pennsylvania bank, to put spending made on its cards towards the Amex card rewards programme.

Visa complained its trademark was being used on American Express's promotion literature and that its rival was "desperately trying to use Visa as a vehicle to help it survive".

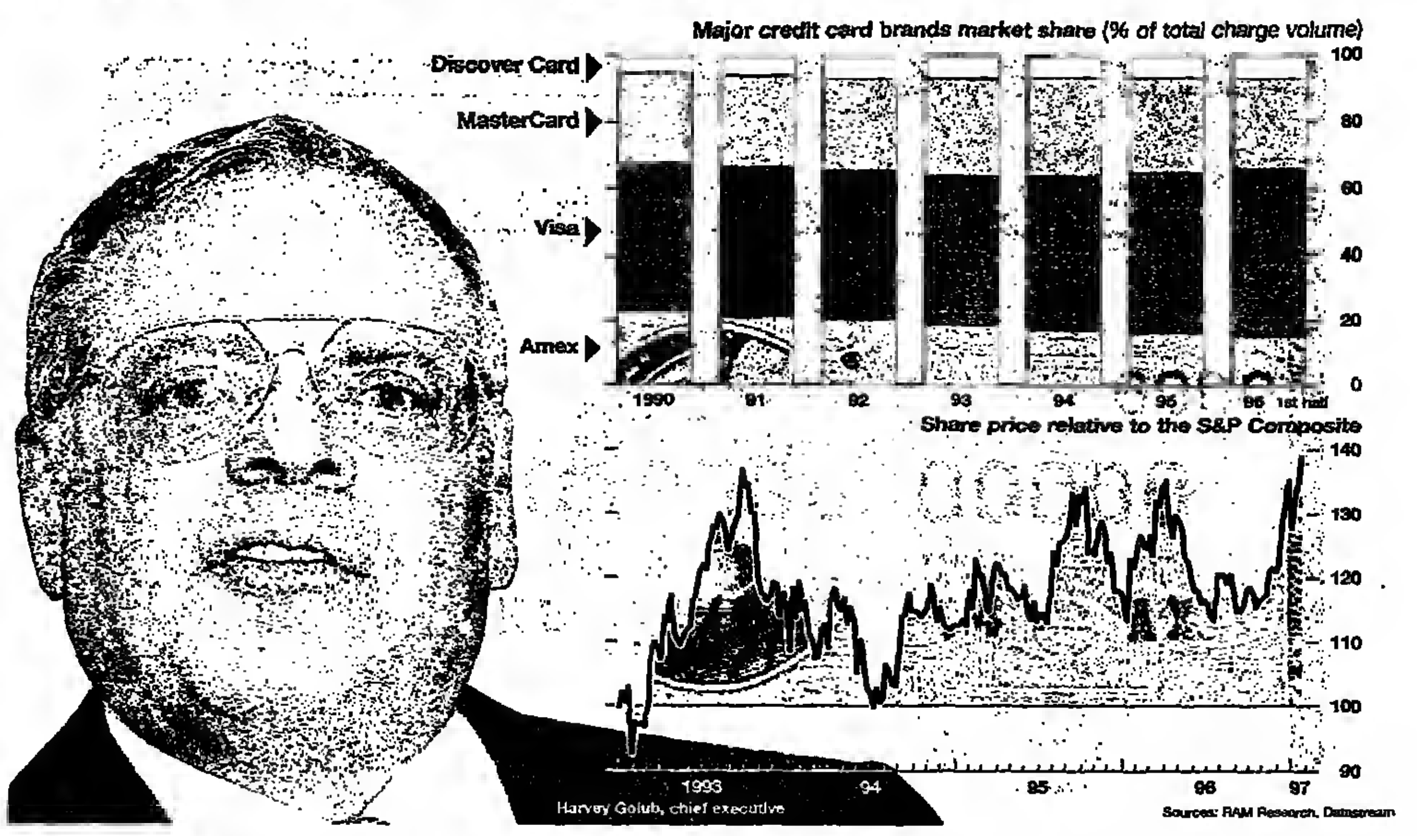
Mr Chenault likened Visa's bar on Amex cards to the construction of the Berlin Wall and said the main reason banks were reluctant to deal with the company was the "Visa guillotine hanging over their necks".

Most Wall Street analysts believe that, once the rhetoric dies down, American Express will have its way. Visa's member banks have a powerful incentive to add the Amex card to their portfolios because it would allow them to make more money from their wealthy customers who pay off their debts on time.

Ms Susan Roth, analyst at Donaldson Lufkin & Jenrette, says American Express has laid the groundwork for revenue growth in 1997. She expects the company to regain lost market share.

The Citicorp talks have reminded investors there is an alternative if American Express business does not pick up as expected. But most analysts seem to agree with the cautiously optimistic view of Mr Alpert, the analyst: "Providing revenue growth comes through, Amex will be successful in building shareholder value without an outside partner."

American Express: not doing so nicely



Harvey Golub, chief executive

Sources: RAM Research, Datastream

A missed match

It would have been quite a deal. Last month, Wall Street was shaken by the revelation that Mr Harvey Golub, American Express chief executive, had held merger talks with Mr John Reed, chief executive of Citicorp, the second-largest US bank.

For American Express, an alliance with Citicorp would have provided a huge new distribution outlet for its charge card across the globe. For Citicorp, it would have presented an opportunity to sell retail banking services to existing American Express customers.

The main reason why Mr Golub contemplated the deal was probably that Citicorp is the largest and most influential member of the Visa and MasterCard banking associations. It would have been a powerful ally in his battle to persuade them to repeal their rules barring member banks from offering the Amex card.

And Citicorp – capitalised at $32.5bn (£19.4bn) – is one of the few financial services companies capable of swallowing American Express, currently valued by Wall Street at about $28bn.

For Mr Reed, American Express could play a central role in his aim of turning Citicorp into a global brand – the Gillette or Procter & Gamble of retail banking.

American Express is one of the few financial services companies which can claim already to have worldwide consumer recognition – and Procter & Gamble has shown it is possible to run more than one international brand.

But a deal with American Express would have split the banking industry, with other credit card issuers seeing the Amex link as anti-competitive. As one analyst said: "There are a lot of Visa and MasterCard issuers who would have a big problem with that union."

The talks are now in abeyance and neither side will discuss the merger. Mr Reed last week refused to comment on the issue when questioned at a New York press conference.

On balance, an acquisition by anyone else is unlikely.

General Electric, the conglomerate which derives about a third of its profits from financial services, is big enough to absorb the card company. But it is thought by analysts to be unwilling to take on the task.

The largest European banks might also be able to fund a deal, but would not provide the international distribution opportunities offered by Citicorp.

As one investment banker put it: "There are maybe a couple of people who could do it, but the likelihood is relatively low. The discussions with Citicorp were initiated by Mr Golub, who saw the opportunity to build a global branded business. I can't think of any other people who would want to write a cheque that big."

OBSERVER

Keep on trucking

■ Honda has just notched up a dubious distinction – Americans like its cars so much, they can't steal enough of them.

The Honda Accord was the most stolen car in the US last year, overtaking a General Motors warhorse known as the Oldsmobile Cutlass Supreme. It's some compensation for the Japanese manufacturer, which in recent years has seen the Accord fall behind Ford's Taurus, as the most popular car that people are actually prepared to pay for.

CCC Information Services, which compiles the stolen cars list, says this is the first time in several years that Japanese cars have topped the rankings. And as thefts are generally reckoned to have more to do with a car's resale value than with the ease with which they can be pinched, Honda executives should perhaps not be too disheartened.

Big Swiss cheese

■ Switzerland's diplomats are in severe shock. The last time a Swiss ambassador had to resign was when he was photographed in bed with someone other than his wife. Now Carlo Jagmetti, the Swiss ambassador to the US, has resigned, after upsetting Jewish organisations with his bellicose condemnation of their attacks on little Switzerland.

Who'll get the job? Normally there would be a queue of applicants. After all, it comes with the usual perks – chauffeur-driven limo, smart house in Washington, plus swimming pool. David de Pury, former co-chairman of ABB and an ex-diplomat, would be a natural choice but isn't interested. François Nordmann, Swiss ambassador to London, is another possibility. He has an Israeli wife, which should help him when it comes to handling Switzerland's Jewish critics.

But Switzerland's career diplomats are keeping their heads down, and the job seems likely to go to Alfred Defago, 54, the Swiss consul-general in New York. Defago is a close buddy of Flavio Cotti, Switzerland's foreign minister, and only became a diplomat two-and-a-half years ago after running Switzerland's ministry of culture – not normally regarded as a springboard for high office.

Moreover, Defago's early career augured ill. A school dropout – his headmaster told him he would be better off as a "street sweeper" – he nevertheless ended up at university, studying history. He then worked as a radio journalist, making a mark by roughing-up politicians.

But cross-examining Swiss politicians is child's play, compared with dealing with the US media. Nevertheless, Defago may well be made of the right stuff. He says that America has changed his life. When he started out on his US odyssey he was an anti-Vietnam war protestor; now his political hero is Richard Nixon.

Fraternally yours

■ Anatoly Chubais, the dynamic sandy-haired head of Russia's presidential administration, is used to being in hot water. As the minister who conducted the biggest mass privatisation programme in history to date, he antagonised millions of Russia's die-hard communists.

But rarely has Chubais received such a roasting as the one dished out by his older brother, Igor, in yesterday's edition of the Komsomolskaya Pravda newspaper. A philosophy lecturer who lives in a wooden dacha outside Moscow, Igor lambasted Russia's current rulers for their conduct of the Chechen war and their callous indifference to the poor, saying they were no better than their totalitarian Soviet predecessors. He punningly described his brother's privatisation (privatizatsiya) programme as one of prikhvatizatsiya – grabbing. And, what's more, he grumbled that his younger brother never asked his relatives round.

Liberty and equality haven't been faring too well recently in post-revolutionary Russia, so maybe fraternity was due for a tumble.

In detention

■ Antanas Mockus, Bogota's unconventional mayor – previous unorthodox ideas have included paying mime artists to teach traffic discipline – has proposed that the health education curriculum of secondary schools should include teachers taking their teenage students to bars, for practical classes in getting drunk and having a hangover.

His idea is that this will teach moderation and reduce Bogota's serious rate of juvenile alcoholism, but Colombian specialists in substance abuse prevention are appalled, with many of the strongest criticisms coming from his own city health department. Mockus dismisses the wave of protest, saying it's just because his proposal is "unusual".

He's certainly managed to fuddle some parents. One angry father asked a local radio station: "Will my son be refused a university place if he doesn't pass the getting drunk course?"

The Financial Times

100 years ago

American Railroads
The market for American rails in London is still lethargic, inactive and almost dead. Even in Wall Street dealings are restricted, and the tone is listless and apathetic. Good judges, however, are of the opinion that this is but the shock wave before the turn of the tide. The flood may be slow in coming, but that it will arrive eventually is a foregone conclusion. The very vastness of the American railroad system, which comprises some 180,000 miles, or about one-half of the total railroad mileage of the world, is a reason for believing that it cannot be permanently neglected by European investors and speculators.

50 years ago

Autonomy For Burma
By our Political Correspondent.
An agreement providing for the election of a constituent assembly for Burma and the forming of the country's future constitution by this assembly was announced by the Prime Minister in the House of Commons yesterday. The agreement followed conversations between Mr. Clement Atlee, the Prime Minister, and other UK Ministers and a delegation from the Burma Executive Council led by U Aung San.

FINANCIAL TIMES
Wednesday January 29 1997

Army chief wins Chechen poll

Russia welcomes preliminary results of presidential election

By Chrystia Freeland in Dzhokhar-Ghala and John Thornhill in Moscow

Moscow yesterday cautiously welcomed the outcome of presidential elections in the breakaway Chechen republic, which appeared to have delivered an easy victory to Mr Aslan Maskhadov, a former Soviet colonel.

Preliminary results showed Mr Maskhadov with more than 60 per cent of the vote, more than double the support for his closest rival, Mr Shamir Basayev, Chechen's most notorious guerrilla leader.

Mr Maskhadov was the military commander of Chechnya's successful 21-month effort to drive out Russian forces. The Kremlin negotiated a ceasefire with Mr Maskhadov last summer and sees him as Chechnya's most moderate leader.

Mr Boris Yeltsin, Russia's president, who is still recuperating from pneumonia, yesterday discussed the implications of the Chechen elections with senior officials.

Mr Sergei Yastrzhembsky, a spokesman for Mr Yeltsin, said the Kremlin chief was satisfied with the results of the election. The president was confident that "the negotiating process between the federal centre and the newly elected government [of Chechnya] can continue".

But Mr Maskhadov immediately made clear he would not compromise on the contentious issue of independence. "Already in 1991 this issue was decided," Mr Maskhadov said, speaking at his campaign headquarters in a rubble-strewn section of central Dzhokhar-Ghala, the new name for the Chechen capital, Grozny. "Chechnya is already an independent country, what is important for us now is to achieve international recognitions including from Moscow."

Mr Maskhadov's bargaining position is likely to be strengthened by the electorate's enthusiastic participation in the ballot, the smooth conduct of which won praise from international observers.

In an indication of the underlying tension between Russia and the Chechen government, Mr Gennady Seleznisv, the Communist speaker of the Russian parliament, insisted that "Chechnya was, is and will remain a part of the Russian Federation".

Senior Russian officials suggested it would now be possible to build a stable peace on the basis of the Khasavyurt accords, signed last August by Mr Maskhadov and Mr Alexander Lebed, then secretary of Russia's security council.

But the agreement shelved discussion of Chechnya's constitutional status for five years, leaving an unresolved tension at the heart of future relations between Moscow and Dzhokhar-Ghala.

UK's Labour sees delay in Emu entry

By John Kampfner and Edward Mortimer in London

The UK opposition Labour party is advising fellow European Union states that a Labour government would not be in the first wave of European monetary union in 1999.

But it says this decision does not undermine the party's claim that it takes a more positive approach on Europe than the Conservative government.

Mr Robin Cook, Labour's foreign affairs spokesman, said he had discussed the issue with leading figures in European centre-left parties, which are in government in 11 of the other 14 EU nations. The UK assumes the EU presidency in the first half of 1998.

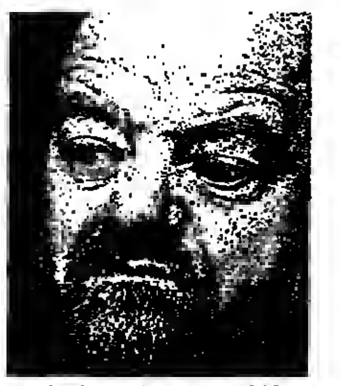
Recent opinion polls put Labour at least 17 points ahead of the Conservatives. A national election must be held by May. Mr Cook would almost certainly be foreign minister in a Labour government.

Britain's presidency coincides with the vital meetings at which EU governments will determine which countries have met the Maastricht convergence criteria for joining Emu.

"Several indicated to me they could see some attractions in having a neutral chairman on single currency issues," Mr Cook said in an interview. "They don't think that would be a problem."

He added: "Labour will take a constructive approach to the EU. Under the Conservatives we are getting the worst of all worlds. We are in a union while constantly sounding as if we wished we weren't."

Mr Cook, known to be sceptical towards Emu, said the Conservative government's decision last week, setting it against early Emu membership, had made it harder for a future Labour government to meet a 1999 entry timetable.



Robin Cook: has rarely hidden his scepticism towards Emu

With Labour committed to a referendum on Emu, and given many other legislative commitments for a first year of office, senior party figures are advising counterparts in other EU capitals that the prospect would be slim of finding enough parliamentary time for the necessary bills on changing currencies.

"I have never understated those difficulties," Mr Cook said. "If anything, they have been made more formidable by last week's statement by the government."

Meanwhile, in another interview with the Financial Times, Mr Kenneth Clarke, the UK's chief finance minister, denied that last week's cabinet statement meant the UK was unlikely to be in the first wave of those joining Emu.

The statement said monetary union was "very unlikely" to take place on time on January 1 1999. Mr Clarke said that if the single currency went ahead as little as six months later, Britain might well join. "The chances are that it will start in the next parliament", Mr Clarke predicted. "The cabinet has not ruled out joining in the first wave".

Contrasting views, Page 9
Reality check, Page 12

US stocks up on weak costs

Continued from Page 1

year expected to have been around 1 per cent, the figure suggests unit labour costs, a critical determinant of consumer price changes, remain subdued, even after six years of steady economic growth.

The principal factor restraining overall employment costs last year was a small increase in non-wage costs. Wages and salaries rose by 3.3 per cent in the year, against an increase of 2.9 per cent in 1995. But modest growth in the cost to companies of health insurance and other benefits kept non-wage growth to just 2 per cent.

The weakness of non-wage costs has been a crucial factor in the past few years in helping companies absorb wage increases without having to raise prices. Inflation at the consumer price level has been dormant in spite of continuing growth in demand that has pushed unemployment down to its lowest level in a decade. Companies have benefited especially from important changes in the nature of healthcare provision that have lowered insurance premiums.

However, there is some evidence that the long decline in non-wage costs may have run its course and companies may face stronger labour cost pressures within the next year. The consumer confidence report is another potentially troubling indication that the benign condition of the US economy may soon change.

The Conference Board, a private sector research group, said its main overall confidence index rose by 2.6 per cent in January to 116.8, its highest level for seven and a half years.

Consumers were especially positive about their economic condition, largely as a result of rising personal incomes. But they were slightly less bullish about the future, especially employment prospects.

China buys into HK power

Continued from Page 1

Hong Kong involving mainland companies have raised concerns about the terms of the transactions, analysts said last night the discount paid by Citic Pacific appeared relatively modest. The company will pay HK$32.56 per share, a discount of 3.1 per cent compared with the closing price of CLP on Monday before trading was suspended.

"This seems like a fair price," said Mr Robert Medd, an analyst at Deutsche Morgan Grenfell in Hong Kong. Others noted that shares in the utility have significantly underperformed the market.

Several industry analysts drew parallels with the deal earlier this month in which Mr Li Ka-shing, Hong Kong's most powerful tycoon, restructured his empire to bring Hongkong Electric, the territory's other big electricity supplier, under his mainland infrastructure vehicle. "We've seen the same scenario played out with Hongkong Electric," said Mr Mike Warren, an analyst at Morgan Stanley, referring to the attraction of the utilities' cashflow for mainland projects.

He pointed to the potential benefits for CLP, which has seen profits stagnate in the face of declining demand and excess capacity. "There needs to be a new agenda rolled out for the company, and this could be it," said Mr Warren.

The companies said proceeds of the deal will be used for new investments in China and elsewhere in the region. Citic Pacific said, however, that it would keep separate its five existing power projects on the mainland.

Its top management, Mr Yung, Mr Henry Fan, managing director, and Mr Vernon Moore, deputy managing director, will sit on CLP's board. Citic Pacific said it would hold its stake for at least three years.

FT WEATHER GUIDE

Europe today

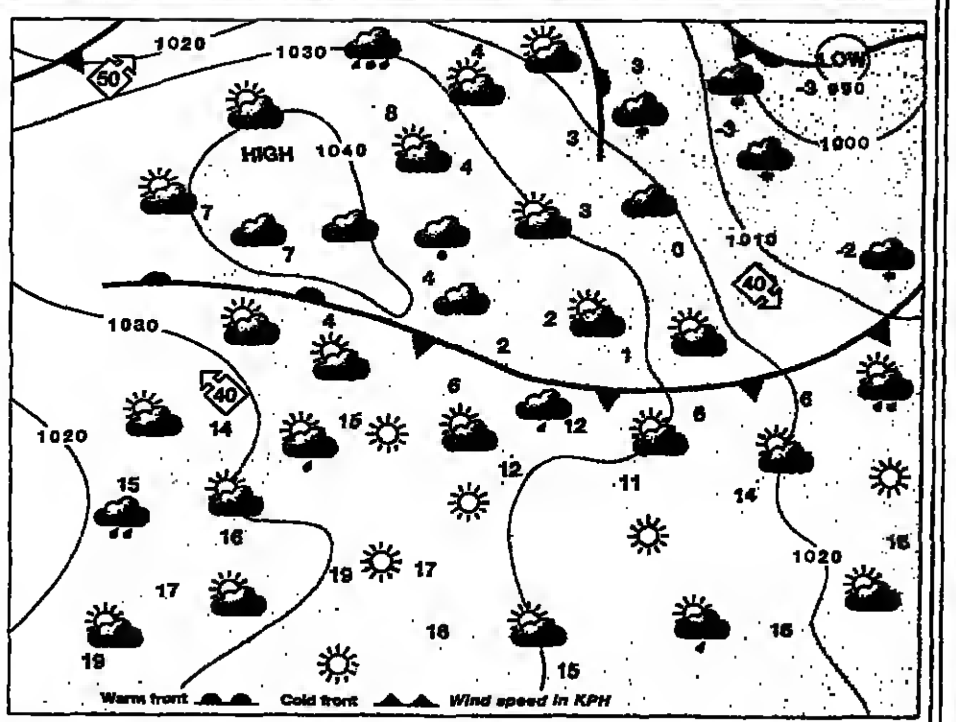
It is likely to be overcast and calm in tha Benelux and Germany. Northern Germany will have some light rain.

Most of Britain will have sunny periods, but the south will be mainly overcast. Northern France will be cloudy but southern areas will have a mixture of sunshine and cloud. It will be sunny along tha Mediterranean coast. North-eastern Spain will have showers. It will be wet in southern Portugal. Italy will have sunny periods. Tha Balkans will hava patchy rain or light drizzla. Southern Greece will be sunny. It will be sunny in southern Turkey but the north will be showery.

Five-day forecast

It will be calm over most of Europe on Thursday. Later in the week, low pressure from the Atlantic will bring cloud and rain to the Iberian peninsula and to France.

Another series of disturbances will affect Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City		Maximum Celsius
Abu Dhabi	sun	23
Accra	sun	32
Algiers	sun	19
Amsterdam	cloudy	5
Athens	sun	11
Atlanta	rain	4
B. Aires	fair	30
B.ham	fair	5
Bangkok	sun	32
Barcelona	shower	13
Beijing	sun	3
Belfast	fair	6
Belgrade	fair	3
Berlin	drzzl	4
Bermuda	fair	22
Bogota	fair	20
Bombay	sun	30
Brussels	cloudy	4
Budapest	fair	1
C.hagen	fair	4
Cairo	cloudy	18
Cape Town	shower	27
Caracas	sun	29
Cardiff	cloudy	6
Casablanca	fair	19
Chicago	cloudy	-6
Cologne	drzzl	4
Dakar	sun	26
Dallas	fair	9
Delhi	sun	23
Dubai	sun	23
Dublin	fair	7
Dubrovnik	sun	11
Edinburgh	fair	8
Faro	rain	16
Frankfurt	cloudy	3
Geneva	fair	5
Gibraltar	rain	15
Glasgow	fair	6
Hamburg	cloudy	5
Helsinki	fair	2
Hong Kong	sun	22
Honolulu	fair	28
Istanbul	fair	4
Jakarta	thund	29
Jersey	fair	7
Karachi	sun	24
Kuwait	sun	19
L. Angeles	sun	24
Las Palmas	fair	22
Lima	sun	28
Lisbon	rain	15
London	cloudy	7
Lux.bourg	cloudy	1
Lyon	fair	6
Madeira	shower	20
Madrid	fair	11
Majorca	shower	16
Malta	fair	16
Manchester	fair	6
Manila	thund	29
Melbourne	fair	23
Mexico City	fair	24
Miami	fair	26
Milan	sun	10
Montreal	cloudy	-11
Moscow	snow	-3
Munich	cloudy	2
Nairobi	fair	29
Naples	sun	12
Nassau	fair	26
New York	fair	2
Nice	sun	15
Nicosia	sun	12
Oslo	fair	2
Paris	fair	4
Perth	sun	37
Prague	cloudy	1
Rangoon	fair	32
Reykjavik	rain	6
Rio	fair	30
Rome	fair	14
S. Frsco	fair	16
Seoul	snow	0
Singapore	fair	31
Stockholm	fair	4
Strasbourg	cloudy	3
Sydney	thund	24
Tangier	cloudy	17
Tel Aviv	cloudy	15
Tokyo	fair	6
Toronto	cloudy	-7
Vancouver	rain	6
Venice	sun	7
Vienna	cloudy	2
Warsaw	fair	4
Washington	fair	4
Wellington	sun	21
Winnipeg	fair	-20
Zurich	fair	3

THE LEX COLUMN

Hong Kong handover

There are another five months to go before Hong Kong is returned to China, but the handover of the colony's monopoly businesses was almost completed yesterday. Last year, Dragonair and Cathay Pacific, Hong Kong's two airlines, sold significant stakes to Chinese interests. A fortnight ago, Hongkong Electric was placed under the control of Mr Li Ka-shing's Chinese investment holding company. And yesterday, the other power supply company, China Light & Power, placed a 20 per cent stake with Citic Pacific, the Mainland-controlled investment company. That leaves Hongkong Telecom as the only remaining monopoly business controlled by a British company.

The CLP transaction is another example of Chinese companies leveraging connections. CLP, controlled by the Kadoorie family, was in a bind. Demand for electricity in Hong Kong is flat, scope for sales into Southern China has fallen with the proliferation of power projects there, and it has failed to complete deals further north. Given Citic's expertise in electricity, and connections, CLP's shares should rise.

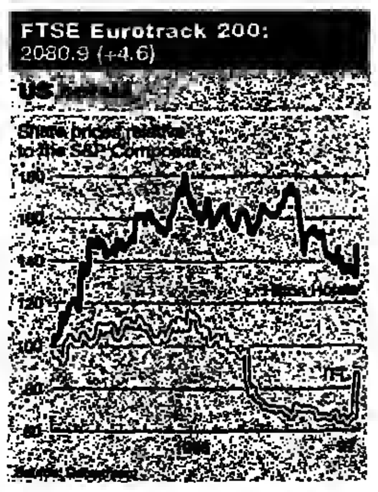
Reinforcing Hong Kong's business links with China is good news for the stock market. But it looks less exciting for Citic. It has locked in another minority stake in a business that looks considerably less racy than Citic's premium stock market rating implies. And while the deal will enhance earnings, the only real value to Citic is the dividend stream which will scarcely cover interest costs.

Hilton/ITT

Mr Stephen Bollenbach, Hilton Hotels' chief executive, is a man in a hurry. In 11 months, he has paid $3bn for Bally's gaming business, reunited the Hilton brand through a deal with the UK's Ladbroke, and launched an audacious bid for ITT worth $10.5bn once associated debt is included. But he has had to move quickly. Global brands, marketing and reservation systems provide a significant competitive advantage in hotels, encouraging industry-wide consolidation. And restrictions on new developments in the fast growing casino business have fuelled deals. The recent weakness of ITT's shares created an opportunity for Hilton to seek to build both sides of its business; although it will have to raise its initial $55 offer.

The strengthening of Hilton will

FTSE Eurotrack 200: 2080.9 (+4.6)



encourage other hotel groups to follow suit. Marriott has a limited presence outside the US, while Bass's Holiday Inns subsidiary is a weak competitor at the higher end of the market, with its Crown Plaza brand. More deals seem inevitable. This will raise the value of Granada's recently-acquired Meridien hotel business, which is clearly available at the right price.

Ladbroke's shares fell yesterday on fears that Hilton will postpone a promised investment in the UK group. But the cost of a 5 per cent stake is piffling in the context of the ITT bid and the unity of the Hilton brand is central to its acquisition strategy. Indeed, if Hilton absorbs ITT, the acquisition of Ladbroke would look an easily affordable and perfectly logical mopping up process.

Siemens

Siemens is full of contradictions. In November the German conglomerate shocked the stock market by warning that profits would be *flat* this year. Yesterday it unveiled a sparkling 22 per cent jump in first-quarter orders. Admittedly, half the increase is due to large, long-term projects. Nevertheless, the conjunction of sharply rising orders and static profits points to serious problems. Some of these, such as the price erosion in semiconductors, are not the group's fault. Others, including an expensive domestic cost base, are being tackled by the management as rapidly as German sensibilities allow. But this still leaves the impression that Siemens is stretched across too many industries to compete effectively in all of them.

The logical solution would be to sell some underperformers. Taken together, Siemens Nixdorf computers and the medical equipment division produced profits of just DM80m on capital employed of DM17bn in 1996. Instead, the group seems to be embarking on a takeover spree. Since December Siemens has agreed purchases worth over DM5bn, principally Switzerland's Electrowatt. But its acquisition record is poor: Nixdorf lost DM2bn in its first three years and both Osram lighting and Rolm, a US telecoms business, have not brought the hoped-for market penetration.

Longer-term there is huge potential in Siemens. But until greater strategic clarity emerges, there is no reason for investors to buy in.

LucasVarity

If tax were not an issue, there would be nothing wrong with the idea that LucasVarity might in future cut its dividend and instead buy back shares. And for many shareholders, the method by which the company returns cash to them is immaterial. But a recent change in UK taxation rules means that a share buy-back is now less tax efficient for pension funds than dividends. So a buy-back wastes value which a special dividend would not.

Moreover, when will investors get the cash? All LucasVarity said yesterday is that it would not consider cutting its payout without at the same time *announcing* a share repurchase programme. As investors in both Ford and General Motors have discovered in the past, the gap between announcement and execution can be a long one. And LucasVarity certainly has to keep a grip on the purse strings. Year-end borrowings will be higher than expected at £500m, suggesting that working capital control at Lucas is still poor. Analysts forecast that the enlarged group will be hard pressed to generate cash in 1997. The notion of saving part or all of its £100m dividend cost this year and delaying any buy-back into next could be very tempting.

Nor did the rest of yesterday's trading statement bring much comfort. The bulk of the £120m of promised merger cost savings will *not* impact until 1998 and market conditions remain tough. Despite yesterday's bounce, it is hard to see the shares outperforming.

Additional Lex notes on Railtrack and Energy Group, Page 21

FINANCIAL TIMES
COMPANIES & MARKETS

 Wednesday January 29 1997 Week 5

IN BRIEF

Disney rises 20% in first quarter

Walt Disney matched analysts' most optimistic forecasts with a 20 per cent rise in first-quarter net profits to $1.4bn. The growth was driven by record theme park attendances and solid results in film and home video sales operations. Page 16

Siemens slips but stands by forecast
Siemens, the German electronics group, reported a 5 per cent decline in first-quarter net profits to DM478m ($300.6m) as semiconductor profits fell, but said it still expected to achieve flat earnings for the year. Page 19

US issues first index-linked bonds
The US today holds its first auction of index-linked Treasury bonds, prompting hopes of a significant boost for the market. Page 22

Iberia agrees Viasa rescue plan
Iberia, Spain's national airline, reached agreement with Venezuelan officials on a rescue plan for Viasa, the partially privatised Venezuelan carrier which suspended operations last week.

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Schmalbach Lub	410	+	13
Falls			
Degussa	696.2	−	14.8
Holzmann	423	−	10
Kali & Salz	143.0	−	7.5
Rheinmetall	262	−	6
SAP AG	221.5	−	8
NEW YORK ($)			
Rises			
IBM	153¼	+	7⅞
ITT	57¼	+	14⅛
Procter&Gamble	113⅞	+	6¼
Falls			
AO Smith	32	−	1⅛
Pace Energy	22⅞	−	1½
Shaw Group	20	−	1⅛
LONDON (Pence)			
Rises			
Capital Corp	198	+	32
Domino Print	325	+	49
Falls			
Division	52½	−	17½
Hogg Robinson	207	−	84
Kenwood Appl	164	−	22
Viewlan	157½	−	25
TORONTO (C$)			
Rises			
Com Dev Intl	16.5	+	1.6
Eli Eco Logic	7.1	+	0.6
Gulf Canada	12.0	+	0.9
Nam Thai Elec	14.0	+	1.5
Falls			
Istar Internet	3.08	−	0.81
KWG Res	6.0	−	0.5
PARIS (FFr)			
Rises			
Air Liquide	888	+	31
Cap Gemini S	282.0	+	11.4
Carrefour	3388	+	117
Dollfus Mieg Cie	184.1	+	12.6
STE-Entrepose	288.5	+	12.6
SGS-Thomson	385.8	+	21.9
TOKYO (Yen)			
Rises			
Arabian Oil	3900	+	180
Daiei Inc	850	+	56
Jerome Saw	244	+	24
M'hishi Paper	453	+	32
Nippon Shinpan	525	+	48
Tokyo Seikan	2950	+	240
HONG KONG (HK$)			
Rises			
Giordano Intl	4.02	+	0.22
Four Seas Trvl	1.19	+	0.08
Oriental Press	3.00	+	0.15
Top Glory Intl	1.36	+	0.14
Falls			
Aeon Credit	2.55	−	0.15
Swank Intl	0.97	−	0.09
BANGKOK (Baht)			
Rises			
Kian Boon	77.8	+	6.5
Thai Elec	25.75	+	2.00
Thai Rayon	79	+	7
Falls			
Lam Soon	23.5	−	2.0
Thai Danmark	35.25	−	3.75
Thai Telephone	28.75	−	2.50

New York and Toronto prices at 12:30.

Plan to lift dividends to more than 30 per cent of retained earnings

Novartis set to increase payout

By William Hall in Zurich and Daniel Green in London

Novartis, the world's second biggest pharmaceuticals group, plans to increase its dividends to "more than 30 per cent of retained earnings", said Mr Daniel Vasella, chief executive, yesterday. That compares with a current payout rate of 24-25 per cent.

The plan is a response to Novartis' strong balance sheet and the tax implications for shareholders of buying back its own shares, said Mr Vasella in an interview with the Financial Times. Disclosure of the company's dividend policy is likely to reinforce positive stock market sentiment towards the stock. Novartis bearer shares rose SFr24 to SFr1,612 after the company published sales figures for 1996.

Novartis, formed last year from the merger of Basle rivals Ciba and Sandoz, increased the sales of its core life sciences business by 8 per cent to SFr27.6bn ($20bn) in 1996 but expects its net income for the year will be unchanged at SFr4.2bn. Mr Vasella said that 60 per cent of the SFr2bn savings from the merger should be achieveable this year. Next year 80 per cent should be possible, with the rest completed in 1999. About 48 per cent of corporate overheads and about 9 per cent of R&D would be cut.

Sales were boosted by the weakening of the Swiss franc. In local currency terms, growth dropped to 6 per cent. In sales terms, Novartis is now 70 per cent bigger than Roche, which used to be Switzerland's biggest pharmaceuticals company. Roche's 1996 sales grew by 11 per cent, noticeably faster than Novartis.

In pharmaceuticals, the main battleground for both companies, Roche's sales grew by 13 per cent, to SFr10.5bn, whilst Novartis' sales increased by 9 per cent to SFr12.2bn. Novartis is in the process of spinning-off Ciba speciality chemicals. Sales of its remaining life sciences business grew by 6 per cent in local currency terms. On the same basis, healthcare sales, which account for 59 per cent of the total, rose 7 per cent. Agribusiness sales (27.8 per cent of the total) rose 6 per cent, and nutrition sales increased 3 per cent.

Mr Raymund Breu, Novartis' finance director, said that of the overall 6 per cent growth in the group's core life sciences business, 1 per cent reflected price increases and 5 per cent was volume growth. He expected growth would accelerate in 1997 as new products went on sale.

The group's largest selling drug, Sandimmun/Neoral, used to prevent rejection of transplanted organs, continues to show double-digit growth.

Israel to sell 23% of its state telecoms holding

By Judy Dempsey in Jerusalem

The Israeli government plans to sell a 23 per cent stake in Bezeq, the etate-owned telecommunications network, by the end of 1997 and reduce its stake to zero "as soon as possible", Mrs Limor Livnat, communications minister, said yesterday.

She conceded that plans to press ahead with an international public offering of Bezeq had been held up by a long-running dispute between the government and Cable & Wireless, the UK telecoms group.

Mrs Livnat, a champion of liberalisation in Mr Benjamin Netanyahu's conservative Likud-led coalition, said the dispute over how much Cable & Wireless would be allowed to increase its stake of 10 per cent could be resolved in "two or three weeks".

She added that this would pave the way for the government to prepare a public offering of 23 per cent to be placed most probably in New York, London and Tel Aviv. It would take another "two or three years" to sell the remainder.

Analysts said yesterday that the stake was worth $415m at current market prices.

The government holds 76 per cent of Bezeq, perceived as one of the state's prized assets. *Bezeq sales rose 3.8 per cent to* Shk5.9bn ($1.8bn) over the first nine months of 1996 compared to Shk5.7bn over the same period the previous year. Net profits rose 3.2 per cent, from Shk440m to Shk454m.

Cable & Wireless has been trying for months to double its 10 per cent stake in Bezeq, which would enable the company to record Bezeq's results in its consolidated balance sheet. But Mrs Livnat warned she would "see a problem in *allowing Cable & Wireless, or* any other company, foreign or Israeli, to have a stake of more than 10 per cent", in Bezeq.

Mrs Livnet's desire to restrict holdings by one company in Bezeq to 10 per cent stems from her belief that for certain sectors of the economy, most notably telecommunications, the government's commitment to liberalisation and privatisation has to be reconciled with its security and national interests.

"I want to see an open market and I very much support such a policy for the telecommunications sector," said Mrs Livnat, who is determined to end Bezeq's monopoly in the domestic market following a decision late last year to open up international services to competition.

It is still unclear what kind of compromise the government and Cable & Wireless will make as talks continued yesterday in Israel. Mrs Livnat *suggested both parties might* form a new company, each holding 10 per cent of Bezeq.

Israeli communications minister Limor Livnat said her government wanted to cut its stake in Bezeq to zero Picture: Reuter

LucasVarity looks into share buy-backs

By Tim Burt

LucasVarity, the Anglo-US engineering group, yesterday raised the prospect of reducing dividend payments and rewarding *investors* instead with share buy-backs.

The company, created by last year's $5.34bn merger of Varity Corporation of the US and Lucas Industries, said it would first discuss such a move with leading institutional shareholders. If it did take such a decision, LucasVarity would become one of the first UK quoted companies to shift away from using dividend payments to return value to investors.

Mr Neil Arnold, finance director, said it was a system commonly used in the US by Varity, which had not paid an ordinary dividend for several years.

"Varity has a track record of share repurchases, and it is something we would consider. But it is not a policy we would embark on lightly," said Mr Arnold, formerly chief financial officer of Varity.

Lucas last year returned £62m ($103.5m) to shareholders in dividend payments, whereas Varity spent $87.3m repurchasing 2.43m shares.

Some institutional investors, however, expressed concern at the idea, warning that share *repurchases could prevent UK* pension funds from claiming tax credits available on dividend payments.

Analysts also questioned how the company could contemplate buy-backs given its announcement that gearing would be around 70 per cent for the year to January 31, equivalent to borrowings of about $835m (£500m).

Nevertheless, shares in LucasVarity yesterday rose 14½p to 220p ($3.53) *following* a trading update which – while warning of short-term market weakness – sought to reassure *investors in the longer term.*

The company, a leading international manufacturer of automotive and aerospace components, predicted it would achieve "significant overall growth" in 1997.

Mr Arnold said North American and European automotive markets had held up well in the last quarter. He also pointed out that the aerospace division was enjoying healthy orders from aircraft makers.

One leading engineering analyst said: "It was reassuring to see the promise of improved margins and cash-*flow remain in place.*"

Those margins are expected to be enhanced this year by £40m of cost savings – and Mr Arnold said the group planned to cut working capital by £140m in the next two years.

The enlarged company is due to report its maiden figures next month.

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German bearings maker eyes US

By Peter Marsh in Nürnberg

Germany's biggest maker of roller bearings has announced a switch in its investment programme away from Europe to reflect the greater opportunities for growth in Asia and North America.

FAG Kugelfischer is planning to invest DM730m ($459m) in the three years to the end of 1999, nearly double the total for the three years between 1994-1996.

Of the plan's total investment, 55 per cent will be spent on increasing outputs from new and existing plants in Asia and North America, and only 45 per cent on the company's *factories in Germany and* the rest of western Europe.

The programme marks a big change in the investment profile of Kugelfischer, which is Europe's biggest bearings maker after SKF of Sweden. Until now Europe has received most of the company'e spending on investment. In recent years, its German plants alone have taken up to two-thirds of the total investment spend.

Mr Peter-Jurgen Kreher, chairman and chief executive of Kugelfischer, said the programme marked a change of emphasis for the company whose products are used in a variety of industries including automotive, railway vehicles, machine tools and aircraft.

He said that increases in worldwide demand for bearings was likely to continue at the historical average rate of around 2 to 3 per cent a year, but he saw higher growth rates for his company outside Europe. "We must follow the *market and we must produce* where the products are needed," he said.

Last year Kugelfischer had sales of DM3bn, with net income of DM100m, according to preliminary estimates released by the company. Of the total sales, 53 per cent came from the whole of western Europe with Germany *accounting for* about half of this. The company is projecting that sales from western Europe will decline to 49 per *cent of the total* by 1999. It believes sales in Asia will grow from 12 per cent of the total in 1996 to 15 per cent in 1999.

For its investment programme between 1997 and 1999, Germany will take just 33 per cent of the total, with plants elsewhere in western Europe, mainly Portugal and Austria, taking 12 per cent.

Barry Riley

US equities survive further round against bonds

These are sensitive times. US bonds and stocks stormed back yesterday on some marginally good payroll cost data, encouraging the markets to believe that Armageddon – in the shape of a rise in short-term interest rates – has been deferred, though not cancelled.

Somewhere in hostile European territory, therefore, this is turning into a good week for Dean Witter's road show: if it's Wednesday it must be, er, Paris.

When Dean Witter last toured Europe rather more than a year ago with a message about the great American revival Europe scoffed, and was wrong. Now the US clearly has the world's strongest advanced economy, but the message is still being received sceptically.

Value-conscious European investors have been more willing to bet speculatively on a cyclical recovery in Japan than on a continuation of the established US trend. Alas, since the middle of 1996 Wall Street has outperformed the Tokyo market in dollar terms by 60 per cent.

With annual GDP growth *likely to emerge at perhaps* 2.5 per cent for calendar 1996, the US is far from displaying an obvious economic miracle. But its labour market works better than those in most other countries. Its corporate sector, too, has decisively regained its confidence during the 1990s.

Earnings per share for the S&P 500 index have doubled in five years, a performance not expected by European investors. This leaves pre-tax profit margins at a 15-year peak – but nevertheless, argues Dean Witter, well below the levels typical of the 1960s and the 1970s.

> European investors have been more willing to bet on a recovery in Japan than on a continuation of the US trend

But *now that supporting* fundamentals such as dividend yield and book net worth have been left behind, the vulnerability to any future earnings disappointments must be substantial. Thefinancial framework could become less benign as 1997 progresses.

Yesterday the Treasury long bond yield fell back sharply, after threatening the 7 per cent level. Yet economists are projecting that the fourth quarter annualised US real GDP growth rate to be published on Friday will be well over 4 per cent. That could yet prove to be another temporary *surge, as in the second quarter*, but if the economy continues to look strong during January and February the Federal Reserve will surely be forced to raise short-term interest rates in the spring by 25 basis points.

Equities ignored the rise of 60 basis points in the long bond yield in the two months up to Monday this week. Although yesterday brought some relief, in yield terms Treasuries are rated roughly on a par with the government bonds of countries like Spain, Sweden, Canada and Ireland.

It is also worth thinking about the implications of today's auction of 10-year inflation-indexed Treasury notes. The market has been expecting the real yield to be 3.5 per cent, much in line with the 3.6 per cent available in the long-established index-linked UK gilt sector.

In the UK real gilt yield has normally put a floor under the All-Share index trailing dividend yield, now also 3.6 per cent. In the long run, dividend growth is expected to be about 2 per cent a year higher than inflation, but equities are riskier and usually offer a yield premium.

With the trailing S&P dividend yield down to 1.7 per cent the arithmetic is hard to apply in the US, but there is a reminder that when the US earnings bonanza runs out of steam equities there will have to justify themselves against a new low risk benchmark for real financial assets.

That earnings uptrend has some way to go, Dean Witter is *promising Europe. The Dow* has another 10 per cent in it, and the strength of the dollar is inflicting extra pain on underweight international investors.

But battered portfolio managers in Europe are still not ready to capitulate.

US drugs groups show good growth

By Tracy Corrigan in New York

Strong sales in their home market and a spate of successful new drugs helped US pharmaceuticals companies outpace the earnings growth of most other sectors of US industry last year.

Despite only modest growth in the US economy, most US pharmaceuticals groups managed double-digit earnings growth, compared with an average for US companies of about 8 per cent.

At Schering-Plough, for example, US sales of pharmaceuticals rose 33 per cent, compared with global sales growth of 13 per cent – or 14 per cent when foreign exchange is excluded.

The strong performance of US drugs companies in their domestic market is likely to put to rest concerns about the proliferation of managed care and its impact on drug prices, analysts said.

As managed care companies – large-scale providers of healthcare known for keeping a tight rein on costs – gained an increasingly large share of the US healthcare market, many analysts thought their greater clout would allow them to force pharmaceuticals companies to reduce drug prices. In fact, list prices of drugs in the US rose 5 per cent last year, according to Mr Hemant Shah, an analyst at HKS, which specialises in pharmaceutical stocks.

While managed care companies were given some discount on list prices, it was only enough to mitigate the price increase, not to eradicate it. With little sign of increasing pressure from the managed care companies, Mr Shah expects list prices to rise 4-6 per cent in 1997.

Furthermore, any discounting of list prices to managed care companies has been more than balanced by increased sales volume. The advent of new drugs on the market has coincided with the addition of a growing number of patients on Medicare and Medicaid – government health programmes – to the managed care sector.

Because managed care cover includes the cost of drugs, this has increased the number of patients with access to drugs. Though managed care companies have however been widely criticised for cost-cutting in some areas, such as shorter hospital stays, this has not had a negative impact on the amount of drugs used.

Among the new products which drove stronger profits were cholesterol-reducing drugs and Aids drugs. Merck had both. Zocor and Mevacor between them held over 40 per cent of the world-wide cholesterol lowering market, but Merck estimates that less than 30 per cent of patients with coronary disease receive cholesterol-lowering therapy.

Vasotec, Merck's angiotensin converting enzyme inhibitor for reducing high blood pressure also showed increased sales. Crixivan, Merck's protease inhibitor for the treatment of HIV, the virus that may lead to aids, was cleared for marketing by the US authorities in a record-breaking 42 days.

But looking ahead, the pipelines at the different US pharmaceuticals companies are of variable quality, analysts said.

Merck and Pfizer still have "a pretty attractive pipeline", according to Mr Shah. Pfizer, for example, has filed for approval on Trovan, a broad-spectrum quinolone antibiotic, which it hopes to launch by the end of the year or in early 1998. Its other imminent launches are Aricept, a treatment for Alzheimer's, and Lipitor, for elevated cholesterol levels.

Warner-Lambert has two promising drugs due to come to market this year, but beyond that there is some cause for concern, analysts said. The two new products are cholesterol reducer Lipitor and the diabetes treatment Rezulin (though the latter has yet to be approved).

Generally, US pharmaceuticals companies continue to increase their spending on research and development, though the rate of increase has slowed.

However as well as cutting costs in other areas, companies have become more successful at streamlining their R&D effort to concentrate on more promising projects, one analyst said.

US pharmaceuticals companies: 1996 results

Company	Net income[1] $m	% change from 1995	1996 earnings per share	% change from 1995
American Home Prds	1,883.4	+12.1	2.98	+9.2
Bristol-Myers Squibb	2,850.0	+57.3	5.68	+58.7
Johnson & Johnson	2,887.0	+20.1	2.17	+16.7
Eli Lilly[2]	1,523.5	+16.2	2.78	+20.9
Merck	3,881.3	+16.4	3.20	+19.0
Pfizer	1,929.0	+23.0	2.99	+20.0
Schering-Plough	1,212.8	+37.0	3.30	+36.0
Warner-Lambert	786.5	+ 6.4	2.90	5.8

Notes: 1. Net income for 12 months ended December 31 1996 2. Income & earnings per share from continuing operations
Source: companies

RJR Nabisco lifted by US food sales

By Richard Tomkins in New York

A strong performance from Nabisco's domestic food business helped RJR Nabisco, the US tobacco and food group, report a 20 per cent increase in underlying net profits to $248m for the fourth quarter, the company reported yesterday.

The international tobacco operations also did well, but the domestic side of the tobacco business continued to suffer the effects of competition from Philip Morris, which has lifted its market share.

Fully diluted earnings per share rose 22 per cent to 73 cents before one-time charges, slightly ahead of the expected 71 cents.

On the tobacco side, domestic volumes fell 3 per cent in the fourth quarter, reflecting heavy promotional activity in full-price cigarettes and declines in sales of Winston Select and low-price cigarettes.

US operating profits, however, crept ahead 2 per cent to $305m on unchanged sales of $1.13bn because the Camel and Doral brands gained market share and a higher proportion of cigarettes sold were full-price brands.

International tobacco had another strong quarter, with volumes up 10 per cent and sales ahead 19 per cent to $1.01bn. Operating profits rose 10 per cent to $227m excluding a restructuring charge in the prior year.

RJR Nabisco said highlights of the international gains included strong volume growth for Camel, Winston and Salem, particularly the performance of new Camel Lights; continuing gains for Pianissimo products in Japan; and volume gains in the former Soviet Union and central Europe.

Nabisco, the separately-quoted food subsidiary, reported a 30 per cent jump in net profits to $151m excluding restructuring charges, mainly because of a strong performance from the domestic business.

Domestic profits benefited from a refocusing on core brands and the savings that stemmed from the restructuring. The biscuit business did particularly well, with good performances from the Oreo, Ritz and Chips Ahoy! lines and the new Air Crisps line.

Nabisco's international food business, however, saw a 7 per cent decline in underlying operating profits from $94m to $74m in spite of a 9 per cent increase in sales to $733m. The company blamed higher commodity costs which could not be fully recovered through pricing, and the slower-than-expected integration of several acquisitions.

For the full year, RJR Nabisco increased net income by an underlying 5 per cent to $888m. Earnings per share rose 14 per cent to $2.62.

Procter & Gamble beats expectations

By Richard Waters in New York

The stock market value of Procter & Gamble jumped 5 per cent yesterday morning as the US consumer products giant surprised Wall Street with after-tax earnings of $944m, or $1.35 a share, for the three months to end-December 1996.

The earnings represented a 14 per cent advance from the year before, topping market expectations of $1.32 a share, and pointed to the company's success in reducing costs during a period of little sales growth.

The maker of Tide soap powder, Head & Shoulders shampoo and Pampers nappies said its sales for the quarter, the second of its financial year, were up only 1 per cent from a year before, to $9.1bn.

That reflected volume growth of 2 per cent, offset by a negative effect from currency movements.

The Cincinnati-based company lifted its operating profit margin by 1.7 percentage points to 16.6 per cent, however. That advance was due in part to lower commodity prices, said Mr John Pepper, chairman. It also reflected "efforts to reduce costs through simplification and standardisation across the company", he added.

P&G is in the middle of an overhaul of its product lines and marketing efforts, aimed at reducing waste and increasing the impact of its main brands. One aspect of that has involved cutting inventory levels, which has served to depress sales.

Mr Pepper said the company's priority "remains to accelerate sales and unit volume growth". This would come from new production capacity and product initiatives, as well as the overhaul of its marketing initiatives.

The company's shares rose $6 yesterday morning in New York, to $113⅝.

● Shares in Kimberly Clark lost ground as it failed to match expectations with its fourth-quarter earnings. The household products company, which acquired Scott Paper last year, reported net income of $347m, or $1.23 a share, on sales of $3.3bn. The company's shares slipped $1⅝ to $98⅞ in early trading.

The year before, after a big restructuring charge, it incurred a post-tax loss of $1.1bn on sales of $3.3bn. The company was held back in the latest quarter by a 3 per cent decline in sales from its paper tissue business, and a 21 per cent fall in sales of newsprint. The declines reflected lower selling prices and the disposal of certain businesses.

Mr Wayne Sanders, chairman, called 1996 "an important transitional period for the company". Merging with Scott Paper had produced savings of more than $250m, he said.

Disney posts strong advance

By Christopher Parkes in Los Angeles

Net income at Walt Disney, the US entertainment conglomerate, rose 20 per cent to $1.4bn in the first quarter, to the end of December, on the strength of record theme park attendances and solid results from film and home video sales.

Earnings per share of 98 cents matched the most optimistic analysts' forecasts, although the recently-acquired ABC television operations laboured to keep pace with other divisions during the quarter.

In spite of strong growth at ESPN, the sports TV network, broadcasting revenues rose only 4 per cent, as ABC slipped in the ratings. Operating income was up 38 per cent at $470m following reductions in programme amortisation and other costs attributable to the acquisition of Capital Cities/ABC.

Including a one-off gain of $135m from the sale of a Los Angeles TV station, net income and earnings per share increased 33 per cent to $749m and $1.09, respectively.

Creative content divisions, including film, video and retailing, reported operating income up 10 per cent to $719m, on revenues which rose only 5 per cent to $3.2bn.

The company stressed the "difficult" comparisons with the previous year's quarter when *Toy Story* was on release in the US and the home video version of *The Lion King* was shipped into foreign markets.

Theme park revenues rose 16 per cent during the quarter to $1.1bn, and operating income was up 21 per cent at $238m. Main gains were made at Walt Disney World in Florida, which celebrated its 25th anniversary.

Separately, Disney said it planned to review the diverse publishing interests acquired along with ABC. The group has been expected to sell these businesses.

The company also announced a link with Comcast, a leading cable-TV provider, to buy a majority holding in E! Entertainment Television from Time Warner. The service, which features personalities and show business gossip, reaches 42m subscribers.

Although the Capital Cities/ABC purchase was not completed until February last year, yesterday's results were prepared on a pro forma basis to represent the impact of the purchase and enhance comparability.

AMERICAS NEWS DIGEST

MCI ahead 7% in final quarter

MCI, the US telecommunications company which last year agreed to be bought by British Telecommunications, registered a slowdown in its core long-distance business during the final three months of last year. A 7 per cent rise in net income to $303m, or 44 cents a share, was in line with Wall Street's expectations. Revenues rose 15 per cent to $4.8bn.

The slower growth reflected the severe competition that has come in recent months from so-called dial-around services, which offer big discounts on long-distance calls in the US. MCI said the slowdown also reflected its decision to focus more on business and the most profitable residential customers.

The company registered an 8 per cent advance in call volumes in the quarter compared with the year before. During the preceding three months, calling volumes had risen 11 per cent, while they were up 13 per cent for 1996 as a whole.

In revenue terms, MCI said its core long-distance operations registered a 10 per cent rise in the fourth quarter, to $4.3bn, and a 12 per cent rise for 1996 as a whole, to $16.8bn. After-tax profits for 1996 were $1.2bn, or $1.73 a share. That compares with $548m, or 80 cents, the year before, when MCI took a one-off charge of 75 cents a share. *Richard Waters, New York*

NASD names new president

The National Association of Securities Dealers, the parent of the Nasdaq stock market, has named Mr Frank Zarb as its new president and chief executive officer, effective from February 24. The Nasdaq market has more than 5,500 listed companies and is the most actively traded US stock market, in terms of share volume.

Mr Zarb, the front-runner for the job, was previously chairman and chief executive officer of Alexander & Alexander Services, a consultancy which was recently acquired by Aon, the insurance services company. He is a former chairman and chief executive officer of Smith Barney, the brokerage and investment banking subsidiary of Travelers.

Mr Zarb will have overall responsibility for all areas under the NASD umbrella, including the Nasdaq market and the regulatory arm of the organisation, created after accusations of price-fixing.

He replaces Mr Joseph Hardiman, who retires at the end of the month after nearly 10 years in the job. *Tracy Corrigan, New York*

Canadian Pacific recovers

Strong oil and gas prices, a rising economy and rail-restructuring brought a dramatic turnround at Canadian Pacific in 1996. Net income was C$829.1m (US$616.3m) or C$2.41 a share, against a loss of C$823.8m, or C$2.40, after a restructuring charge totalling C$1.1bn. Revenues were ahead 14 per cent at C$8.7bn.

The fourth quarter was strong and all five business sectors improved, particularly energy, shipping, coal and hotels. "We're working hard to build on this momentum in 1997," said Mr David O'Brien, president. *Robert Gibbens, Montreal*

BCE posts 43% rise for year

BCE, the telecommunications group which is Canada's biggest company, posted a 48 per cent gain in fourth-quarter earnings to C$429m (US$319m), or C$1.29 a share, from C$289m, or 86 cents, a year earlier on revenues ahead 14 per cent at C$8.5bn. The latest period includes net special gains of 12 cents a share.

For the 1996 year BCE earned C$1.15bn, or C$3.40 a share, up 43 per cent from C$782, or C$2.23, on a 14 per cent increase in revenues to C$28bn. The latest period included net special gains of 39 cents a share. Return on equity was 10.6 per cent, up from 7 per cent, but BCE said this was inadequate to sustain its growth.

Bell Canada, BCE's wholly-owned telephone utility, accounted for about half the group's 1996 revenues and earnings, improving its performance sharply with heavy restructuring. Growth in local and access revenues outpaced the impact of lower long-distance prices. Northern Telecom's contribution was sharply higher and BCE Mobile, Bell Canada International and the directories unit all improved. *Robert Gibbens*

"WORLD EQUITY" Fund Manager Of The Year 1996.

ALL'S WELL ON THE RUSSIAN FRONT

At the beginning of 1996 who would have thought that the Russian market (ROS Index) could produce a return of 126% in US dollar terms by the end of the year? Not many. With all its tribulations, Russia has emerged to become a market which is primed to set new records into 1997 and beyond.

Following widespread economic reform, perceived political risk has diminished and annual inflation rates have fallen from 131% in 1995 to 22% in 1996. Regent believes that these positive developments will bring a new wave of blue chip buying in early 1997.

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Hilton plays for the big win

The US group's proposed merger with ITT would create the world's largest operator in the hotels and casinos business

Hilton Hotels' $6.5bn hostile takeover bid for ITT, its biggest US rival in the hotel and casino business, shows that Mr Stephen Bollenbach has lost none of his appetite for the big deal.

The bid is the second Mr Bollenbach has led since taking over as Hilton Hotels chief executive a year ago. Last month, the company completed a $3bn acquisition of the Bally Entertainment casino group, turning Hilton Hotels into the world's biggest gambling company.

Immediately before joining Hilton Hotels, Mr Bollenbach was chief financial officer of Walt Disney, where he engineered another megadeal: Walt Disney's $19bn takeover of Capital Cities/ABC, one of the world's biggest mergers.

If Hilton Hotels' bid for ITT succeeds, it will create the world's biggest hotel and gambling group, linking the Hilton chain in the US with the Sheraton chain worldwide and joining the two companies' extensive casino interests. ITT was yesterday considering its response.

At present, Hilton Hotels owns, manages or franchises 240 hotels with nearly 100,000 rooms. These include the Hilton hotel chain in the US and 10 Conrad International hotels abroad: but they exclude the international Hilton hotel chain, which is owned by the UK's Ladbroke group.

On the gambling side, Hilton Hotels has 16 casinos with 900,000 sq ft of gambling space. Most of them are in Las Vegas and Atlantic City, but it has riverboat casinos in Missouri and Louisiana, and it also owns or part-owns casinos in Canada, Australia, Uruguay and Turkey.

ITT, which became a leisure company at the end of 1995 after spinning off its financial and industrial operations, has 415 hotels with 130,000 rooms. Unlike the Hilton chain, the ITT's hotels operate worldwide, mainly under the Sheraton name.

ITT greatly extended its gambling interests in 1995 with the acquisition of the Caesars World casino company. It now has 14 casinos with 320,000 sq ft of gambling space, mainly in Las Vegas and Atlantic City.

Hilton Hotels' bid for ITT caps a year of hectic activity since Mr Bollenbach's arrival last February. As well as acquiring Bally Entertainment, the company has spent about $500m on hotel real estate, and last August it reached a deal with Ladbroke to market the US and international Hilton hotels jointly.

While Hilton Hotels has been in the ascendant, ITT has been struggling. Poor results from its casino operations and the cost of servicing its heavy debt have hit profitability, and until Monday night, the shares had been trading well below their level of $48¼ at the spin-off more than a year ago.

Hilton Hotels' bid is clearly aimed at taking advantage of ITT's weak stock price. At $55 a share, it represents a premium of 29 per cent to ITT's official closing price of $42⅝ on Monday.

Hilton Hotels argues that the deal makes strategic sense. The hotel industry is currently enjoying an upturn, with room rates and occupancy levels running high and little new capacity coming on to the market: so Hilton Hotels wants to take advantage of that by expanding its portfolio of hotel properties.

Mr Bollenbach is particularly keen to get hold of the 70 or so Sheraton properties that ITT owns or part-owns. These would probably be converted to Hilton hotels, while Sheraton's franchised operations and the Sheraton name would be licensed to HFS, a US franchising company that already has the licences to the Ramada, Howard Johnson and Days Inns chains.

Hilton Hotels also wants to acquire ITT's casinos because the US gambling industry, after going through a big expansion, is consolidating. As the process continues, the biggest companies will thrive because they will be able to spread their fixed costs over the largest number of units.

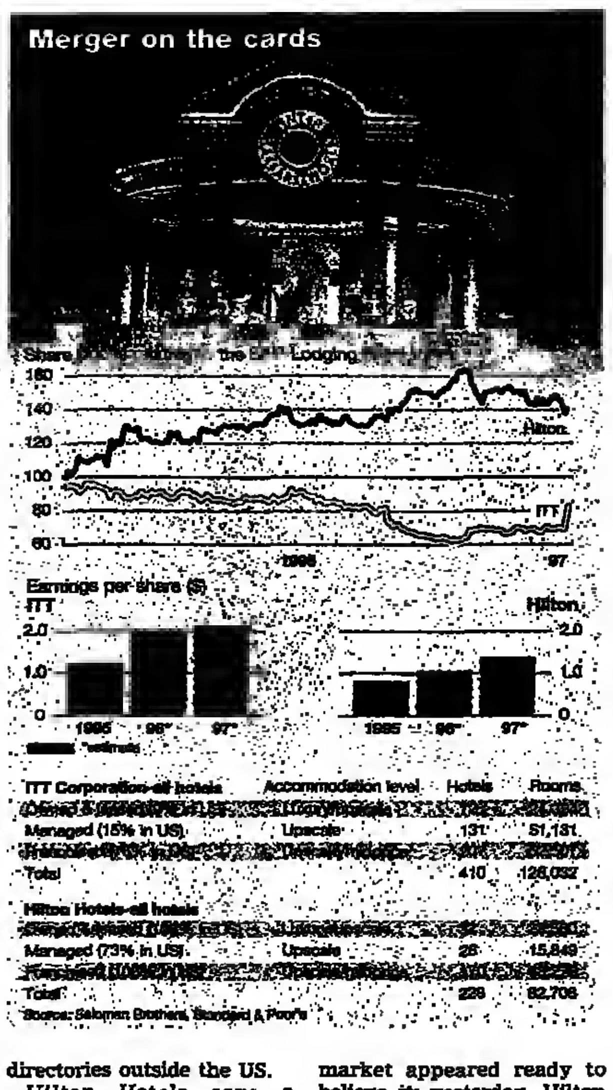
If the acquisition goes ahead, Mr Bollenbach says he wants to sit down with ITT's management and discuss its large capital spending programme, amounting to $3bn on the gambling side and more than $1bn on hotels. "These are just enormous amounts of money, and we would like to see if we can find ways to spend less and accomplish the same earnings goals," Mr Bollenbach said yesterday.

Mr Bollenbach has also made clear he will seek a buyer for ITT's entertainment and other interests, comprising a 50 per cent stake in New York's Madison Square Garden entertainment complex, a 50 per cent stake in WBIS+, a 24-hour financial, sports and entertainment television station, and ITT World Directories, a publisher of Yellow Page telephone directories outside the US.

Hilton Hotels says a merger would produce cost savings of $100m a year through economies of scale, and would add to earnings per share from the start. The market appeared ready to believe it: yesterday, Hilton Hotels' shares were up $3 at $28¼, a rise of 12 per cent.

See Lex

Richard Tomkins



Strikes and launch costs push GM into red

By Richard Waters in New York

The strikes at General Motors' assembly plants in North America last autumn wiped $700m off its after-tax profits for the final three months of the year, the US carmaker said yesterday.

When added to the costs of launching new vehicles in its home market, the strikes threw GM's North American operations back into a loss for the quarter.

The news had been expected after recent statements from the company. It marks a stumble in GM's fitful return to sustained profitability in its core North American business.

GM's North American operation lost $124m on sales of $24bn in the final quarter, compared with net income of $603m on sales of $26bn in fourth quarter 1995. Hit by the strikes, its share of the US new vehicle market tumbled from 36.1 per cent to 31.2 per cent.

Leaving aside a tax credit, the picture is worse, with a pre-tax loss in North America of $418m against a profit of $856m the year before.

Nevertheless, Wall Street remains generally confident that GM will show the greatest improvement among US carmakers this year.

It has lifted the company's shares by more than 20 per cent since a new US labour contract was concluded last autumn.

The company's board sent a cautiously optimistic signal on Monday by declaring a dividend increase and a $2.5bn share buy-back. It can pay these out of its excess reserves of cash.

GM reported operating cash flow of $18.7bn for the year, compared with $16.5bn for 1995.

It added $2.5bn to its cash pile in the final quarter, in spite of the strikes. Mr Jack Smith, chairman, said: "This shows we can generate significant cash – even at lower production levels."

GM's full-year results were also held back by the strikes. The full after-tax cost of the labour unrest was $1.2bn, the company said.

That left it with post-tax profits in its home market of $1.2bn, compared with $2.4bn in 1995.

Outside North America, net income for the quarter fell by $145m to $353m while sales grew 6 per cent to $8.9bn. However, the comparison was confused by a tax benefit in the 1995 period.

The carmaker's overall results included contributions from its Hughes Electronics and financial services unit and some other businesses that have been sold.

GM reported net income from all its continuing operations for the quarter of $786m, or 92 cents a share, compared with $1.9bn, or $1.98, the year before.

For the year as a whole, GM reported net income of just under $5bn, or $6.06 a share, on sales of $164bn. For 1995, the company reported net income of $6.9bn, or $7.21, on sales of $160bn.

● Vauxhall Motors, the UK subsidiary of General Motors, raised pre-tax profits from £2.5m in 1995 to £10m ($16.2m) last year, on preliminary unaudited figures.

However, the company warned the results remained insufficient to guarantee long-term investment.

Analysts said Vauxhall's figures could be seen as satisfactory in view of the cut-throat competition in the UK car market, and compared with likely losses at Ford and Rover.

Investors 'lost at least SKr55m in Fairbank'

By Davrell Roberts Tien in Stockholm and Clay Harris in London

Customers of Fairbank, a high-risk currency trading scheme, have lost at least SKr55m ($8m), it emerged yesterday at a bankruptcy hearing for an associated Swedish company.

Mr Dannis Cheung, director of Currency Exchange Stockholm, failed to attend the hearing. The court was told he was taken ill with gastroenteritis while boarding a flight at London's Heathrow airport on Monday night. He was taken to hospital but later discharged, according to a fax signed by Mrs Cheung.

Through its local offshoots, Fairbank targeted ethnic Chinese investors in Sweden before press exposure and the launch of an official investigation prompted it to close in December. Mr Cheung, a UK citizen, previously had run Pagoda, a currency scheme being investigated by the UK Serious Fraud Office over alleged misuse of $7.5m in investors' funds.

The Swedish investigation into Mr Cheung's companies has been frustrated by a lack of information about the company which handled funds after they were transferred from Sweden. Fairbank Currency Exchange LLC, registered in the US state of Delaware, has applied to the High Court in London to be wound up. The petition is due to be heard on March 5.

Vinge, the Swedish law firm acting as receiver for CES and a sister company in Gothenburg, has so far been refused information about accounts in National Westminster Bank in London because the legal connection between the Swedish and US companies had not been established.

Investors were led to believe that Mr Cheung's companies were part of an entity called Fairbank Currency Exchange Group, but investigators have found no legal evidence that such an umbrella company exists.

Ms Elisabet Furs-Sandstrom, in charge of the bankruptcy proceeding at Vinge, said she had talked to Mr Cheung for two hours on Monday. She said: "When I asked him what I should say to the clients about their accounts, he was vague and referred to his lawyers in London."

Mr Cheung's UK lawyer said he did not know of his illness or failure to appear yesterday until told by the Financial Times.

Police in Stockholm this week have interviewed the company's accountant to try to ascertain his knowledge about transfers of money from Sweden. Ms Anna-Lena Dahlqvist, the prosecutor in charge of the investigation, said she had requested permission to travel to London, but had not yet received clearance from the UK.

DSM sees downturn

Shares in DSM, the Dutch chemicals group, slipped yesterday after it gave a lower than expected estimate of its profits for last year, writes Gordon Cramb in Amsterdam.

Ahead of definitive figures due next month, it said net earnings from ordinary activities would be "at least Fl 700m ($380.5m)" – a level which would mean a fall of more than one-third from the Fl 1.07bn in 1995.

Although tighter margins in its main product sectors had left nine-month profits 36.2 per cent lower at Fl 591m, the group said yesterday: "High feedstock costs – which could not yet be compensated for by higher selling prices – had a greater than expected effect on the result for the fourth quarter of 1996."

This echoed a warning made three months ago, but then DSM had hoped to pass on some of the higher input costs to customers. The shares closed Fl 4.30 lower in Amsterdam at Fl 176.30.

INTERNATIONAL NEWS DIGEST

Dresdner Bank in more jumbo loans

Dresdner Bank has several big international project financing loans in the pipeline – each totalling more than $1bn – to follow the $2.5bn jumbo loan it is arranging for Russia's Gazprom, Mr Bernd Fahrholz, head of the bank's global finance division, said. Like the Gazprom loan, which is the first by a leading Russian borrower not to carry a state guarantee or be backed by export credit insurance, they will carry risk-minimising structures. Mr Fahrholz said the loan's pre-selling phase from late December to mid-January had produced strong interest from other banks, with underwriting now under way and syndication starting in the second half of February.

Gazprom, the world's largest gas producer, is expected to pay 200 basis points over London interbank offered rate (Libor) for the loan, which will have a maturity of eight years. The funds will be used to help finance the construction of a 4,200km pipeline from the Yamal gas fields in western Siberia to Frankfurt an der Oder, an east German town on the border with Poland. Mr Fahrholz said that Gazprom would service the loan itself, but a trigger mechanism would be built into the loan structure so that repayment could be made from the proceeds of gas sales to west European utilities if necessary.

This device was designed to reassure the banks – while also enabling Gazprom to raise money on the international capital market without state backing – and could act as a "pilot" for future such loans, he said. He declined to say where and with whom Dresdner Bank's next big project financing loans would be arranged, but said South America, Asia (especially China) and eastern Europe were the main regions where big infrastructure and energy projects were being planned.

Andrew Fisher, Frankfurt

Losec sales lift Astra shares

Astra, the Swedish pharmaceuticals group, said sales of Losec, its blockbuster anti-ulcer drug, rose 40 per cent in the US last year – slightly ahead of market expectations. Sales of Losec, which late last year overtook Glaxo Wellcome's Zantac to become the world's biggest-selling prescription drug, rose from $1.2bn to $1.7bn after a strong fourth quarter in which sales jumped 46 per cent. Losec is marketed in the US through a joint venture with Merck, the US pharmaceuticals group, under which each company receives half the revenues.

The US has been the prime growth market for Losec in recent years. Astra said underlying US sales, excluding the effect of stock building by wholesalers seen in mid-1996, were expanding at about 40 per cent. Astra's shares rose SKr2 on the news to SKr340.

Greg McIvor, Stockholm

Incentive 'not in Daewoo talks'

Incentive, the Wallenberg investment vehicle, said it was not holding talks with Daewoo Electronics, of Korea, or any other company about the sale of its stake in Electrolux, the Swedish consumer electronics group. Separately, Investor declined to comment on speculation concerning its stake in the company.

The French newspaper La Tribune yesterday reported that the Wallenberg family was negotiating the sale of its controlling interest in Electrolux with Daewoo. The Wallenberg family controls Electrolux through its holdings in Incentive and Investor, which between them have more than 90 per cent of the voting rights in the company but only just over 6 per cent of the capital.

AFX News, Paris

DF-1 can market nationally

DF-1, the German pay-TV network, can market itself nationally following the suspension of the implementation of an injunction issued last week by a Hamburg court, which ruled that DF-1 only had a licence to operate in the state of Bavaria. The suspension came after the Bavarian regulator for new media redefined the original licence with DF-1, which is distributed via satellite, so that it applied nationally. The Hamburg court said the suspension did not mean the injunction was fully lifted as it was still considering an appeal by DF-1 against the injunction.

Frederick Stüdemann, Berlin

Tenneco in fourth-term loss

Tenneco, of the US, said restructuring charges and a dismal performance in its containerboard business left it with a loss in the fourth quarter and sharply reduced profits for the year. The group last month completed a restructuring that transformed it into an automotive and packaging manufacturing company from a multi-industry conglomerate.

In the fourth quarter, the company posted a net loss of $361m, or $2.15 a share, on sales of $1.7bn. That includes a one-time restructuring charge of $235m, as well as $87m in charges related to cost cuts and realignments in its remaining two business units. In the fourth quarter of 1995, Tenneco had income of $183m, or $1.05, on sales of $1.4bn.

Losses from continuing operations in the quarter, excluding the restructuring charge, were $36m, compared with a profit of $17m in the same quarter of 1995. For the full year, Tenneco reported net income of $410m, or $2.33 a share, including all charges, compared with $735m or $4.16, in 1995. Sales for the year rose from $5.2bn to $6.6bn. Earnings from continuing operations were $218m, or $1.67 a share, in the year, compared with $258m, or $1.62, in 1995.

Laurie Morse, Chicago

Onex buys components group

Onex, a fast-expanding Canadian conglomerate, is buying the car component business of Milwaukee-based A.O. Smith for $625m. Tower Automotive, Onex's partly-owned frame and suspension parts unit, will treble its annual sales to $1.3bn. "We want to make Tower one of the world's biggest structural parts makers and we are looking for acquisitions," said Mr Gerry Schwartz, Onex president and leading shareholder. Onex's other interests are in airline catering, food services and computer parts and distribution, in North America and Europe.

Robert Gibbens, Montreal

COMPANIES AND FINANCE: EUROPE

Siemens expects flat year despite setback

By Sarah Althaus in Frankfurt

Siemens, the German electronics group, said yesterday it still expected to achieve flat earnings for the current year, in spite of a slight deterioration in the first quarter.

Net income dropped 5 per cent from DM503m to DM478m ($291.9m) in the quarter to end-December, hit by lower profits in semiconductors, a trouble spot in the last financial year.

"We are still on course to meet our forecast for stagnant earnings in 1996-97," the company said. "The first quarter is traditionally a little weaker than the rest at Siemens." In 1995-96, the group registered net profits of DM2.4bn.

Strong growth in the communications sector belped underpin overall earnings, while a sharp fall in prices, particularly for memory chips, prompted the profits decline in semiconductors. Sales increased 6 per cent from DM19.7bn to DM20.9bn, with growth spread evenly between foreign and domestic business.

The results were broadly in line with market expectations, and the shares edged up DM0.20 to DM78.78. The forecast for stagnant profits in 1996-97 was first made last November and initially led to a sharp decline in the share price.

New orders rose 22 per cent from DM22.2bn to DM27.0bn, fuelled mainly by several big orders in the energy, communications, transport and information sectors. Most of the increase came from foreign business – up 31 per cent at DM17.5bn – and was led by the Asia-Pacific region, where orders more than doubled, and the US.

However, Siemens warned that "after gaining several big projects in the first quarter, growth is expected to normalise in the rest of the year".

Progress in the various sectors was uneven. The two telecommunications divisions were once again among the bright spots, reporting double-digit percentage increases in sales and orders. Siemens-Nixdorf Informationssyteme, the computer unit, lifted sales 11 per cent and orders 17 per cent from a year earlier.

The energy sector more than doubled orders but suffered a 31 per cent decline in sales. Turnover was up 9 per cent in the industrial business, while weak domestic demand and a slump in German construction led to a decline in orders. In semiconductors, sales were down 12 per cent and orders down 24 per cent.

Most analysts said they were sticking with their forecasts for flat full-year profits, but were cautious about the long-term outlook.

"Siemens is still in need of a radical restructuring. Its margins are terrible in comparison with its internatiooal peers," said Mr Andrew Griffin, analyst at UBS in London. "I'd expect more disappointments than surprises on the earnings front over the long term."

Mr Peter Thilo-Hasler, analyst at Vereinsbank Research in Munich, said: "Siemens is still using the same excuses for its current performance: they are obviously not being quick enough with the restructuring."

Siemens is disposing of non-profitable businesses and has said it planned to cut 6,000 jobs in its German operations in the current financial year. Over the past three years, it has reduced its domestic workforce by about 30,000 to 203,000.

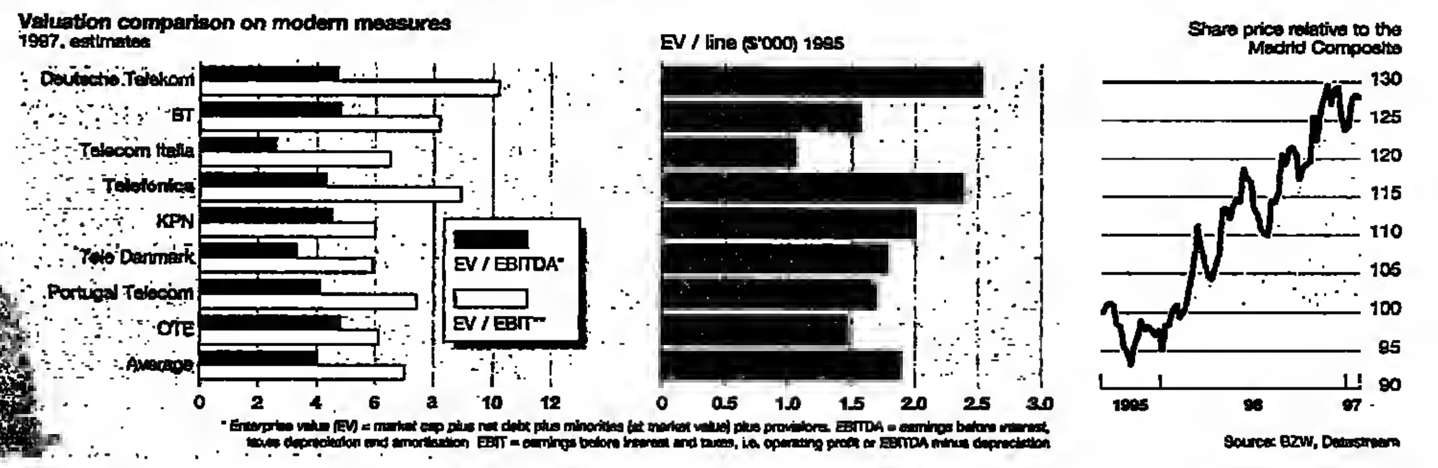
Lex, Page 14

Villalonga brings banker's mind to telecoms

Telefónica chief hopes that his business skills will help him prepare group for private sector


Juan Villalonga

Telefónica: looking on the pricey side



The Russian dolls, the tiny green drawings on a lurid pink background, betray Mr Juan Villalonga's background.

He may be chairman and chief executive of Telefónica, Spain's national telecommunications carrier whicb is this week beginning the international roadshow for a $4.9bn share offering; but his Hermes tie, dotted with motifs, is that of a fashionable investment banker.

Until be was appointed last June to preside over Telefónica, that is wbat Mr Villalonga was. After nine years as a consultant and then partner at McKinsey & Co, the management consultants, be joined CS First Boston in 1993. Mr Villalonga headed the Swiss-American investment bank's Spanisb operations before switching in 1995 to s similar position at Bankers Trust.

Mr Villalonga's career followed that of a successful investment banker – until last year. Then, apparently out of the blue, be was offered the helm of Telefónica by La Caixa and Banco Bilbao Vizcaya, two core sharebolders.

So bow did an investment banker with no experience of the telecoms industry end up as head of a powerful telecoms business spanning Spain and Latin America?

"*Amiguismo*", Mr Villalonga's critics answer, referring to a Spanish tendency to grant positions to friends rather than professionals. One of Mr Villalonga's classmates at Madrid's Pilar school was Mr Jose Maria Aznar, the leader of the Popular party which ousted the ruling Socialists in the general election last March.

The inference widely drawn in Spain's businsss establishment is that the new conservative govsrnment – whose 21 per cent stake in Telefónica is being sold in next month's offering – supported Mr Villalonga because he was the incoming prime minister's childhood friend.

But Mr Villalonga represents not just the enduring entanglement of business and politics in Spain, but a new breed of executive in Spain and the telecoms industry.

Mr Villalonga, 43, is typical of tbe young exectives whom the government has brought in to run state-owned companies on more commercial lines and to prepare them for privatisation.

Mr Cesareo Alierta, chairman of state tobacco company Tabacalera, and Mr Francisco Gonzalez, chairman of Argentaria, the banking group, are both former stockbrokers, for example.

Moreover, the convergence of telecoms and information technology, privatisation and increased competition have called for new skills among European telecoms executives, particularly in marketing to investors and customers.

Until tbe 1990s, most nstional telecoms carriers in Europe were led by engineers steeped in the industry. But like Mr Villalonga, Sir Peter Bonfield of British Telecommunications, Mr Lars Berg of Sweden's Telia, Mr Ron Sommer of Deutsche Telekom and, most recently, Mr Graham Wallace, of Cable and Wireless Commnnications, have all come from outside the industry.

Mr Villalonga thinks it an advantage to be an outsider wbo questions received wisdom. One of his questions concerned Telefónica's marketing effort – half of which, he claims, was wasted.

"We have brought in people from the consumer goods industries. The people before were engineers. It is 3,000 times better not to be an expert," he says.

Some Telefónica watchers agree Mr Villalonga brings a fresh eye. "He comes to the business with no presuppositions and no sacred cows," says Mr Scott Mead, head of Goldman Sachs' European telecoms practice.

As Telefónica executives travel to east Asia on the first leg of the international roadshow, Mr Villalonga's experience in dealing with investors is particularly useful. A master of the eloquent pause and hand gesture, he is a strong presenter.

The former banker appears to have preserved his respect for the notion of abareholder valne, which is relatively unfamiliar to Spain. "Those investors thet heve met him are impressed that he even says the words," one analyst says. "He's learnt the script."

The question is wbether Mr Villalonga can manage a telecoms operator as well as talk a good book. Investmeot bankers say he promised much at CS First Boston and Bankers Trust, bnt left before he could deliver it all. There are whispers among Telefónica's main Spanish shareholders of disappointment with his performance.

"Yon wonder whether he is running a multinational or just doing deals," says one investment banker close to the group.

With Telefónica still on its roadshow and yet to determine the final shape of its international alliances, Mr Villalonga is certainly tbe man for the moment. But he still has to prove himself a telecoms executive as well as an investment banker.

Nicholas Denton and Tom Burns

Higher margin lifts Banco Comercial Português

By Peter Wise in Lisbon

Banco Comercial Português, Portugal's second largest financial group, lifted net consolidated profits by 14.8 per cent last year to Es23.27bn ($142.22m), up from Es20.27bn in 1995. Earnings per share rose from Es176 to Es185.

Mr Jorge Jardim Gonçalves, BCP president, attributed the growth in earnings largely to an increase from 2.9 to 3.2 per cent in the group's financial margin, the difference in the average rate at which banks raise and lend funds.

The 1996 dividend is to be Es70 a share, up 12.8 per cent on 1995.

Fee-based and other incoms accounted for 58.7 per cent of total earnings, compared with 56.9 per cent in 1995.

Tbe bank said this reflectsd strong growth in the cross-selling of financial products within the group and increased earnings from financial trading.

BCP became the country's biggest private-sector banking group when it acquired control of Banco Portugués do Atlântico for Es308bn in 1995.

It is also Portugal's market leader in insurance and asset management.

Because BCP began to consolidate BPA's earnings only in April 1995, results from the two years are not directly comparable.

But the group said that, un a comparable basis, net consolidated profit had grown by 22.3 per cent.

Analysts said the results were in line with expectations but expressed concern over what one Lisbon broker called a "lack of clarity" over aspects of the group's strategy.

BCP has left just under 50 per cent of BPA in the hands of the Mello group, its partner in the takeover.

BCP also holds a stake of about 20 per cent in Mundial Confiança, an insurance company that controls a large, rival Portuguese banking group. Analysts said that by failing to indlcate whether it planned to sell its Mundial Confiança bolding to increase the group's stake in BPA, BCP was allowing room for speculation tbat the benefits of the BPA purchase were taking longer to realise than it had originally envisaged.

"Investors could interpret this as a lack of confidence by BCP in its its ability to unlock the potential of BPA as quickly as it has forecast," said a London-based analyst. "It also leaves room for doubt over BCP'a position in relation to the Mundial Coufiança group."

Another London-based analyst said BCP might be delaying increasing its stake in BPA in order to avoid the obligation of increasing its Tier 1 capital.

This would require a further capital increase from investors, wbo have already seen their shareholdings considerably diluted since the BPA takeover.

EUROPEAN NEWS DIGEST

Bouygues bounces back to black

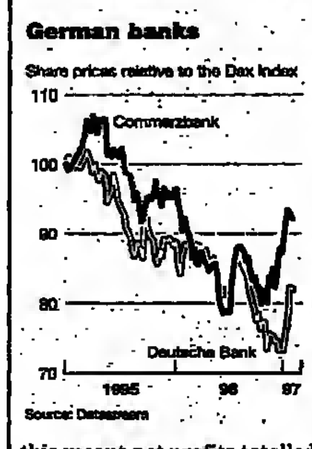
Bouygues, the French construction and communications group, yesterday reported a return to the black with net profits of FFr650m ($118m) for 1996 after heavy provisions had dragged it into losses of FFr2.9bn for 1995. Sales fell 1 per cent to FFr81.2bn, but the group predicted they would rise 2 per cent to FFr83bn in the current year with a 4 per cent decline in its construction activities offset by a 26 per cent increase in other areas.

Its property subsidiary reported near break-even profits of FFr15m for 1996. Service activities and capital gains on asset sales gave stronger results.

It described the launch last year of its mobile telephone network – the third to be granted an operator's licence in France – as "favourable", and said it was ahead of its objectives with 100,000 subscribers. It said it also had 100,000 customers for its radio-messaging service, and 9,000 for S3RP, a dedicated professional telephone network, which it said would reach break-even this year.

The group said its debt was FFr6.5bo at the end of the year, compared with FFr6.2bn at the end of 1995. It had FFr7.8bn in treasury available, compared with FFr7.2bn for 1996. *Andrew Jack, Paris*

Commerzbank disappoints



Commerzbank shares fell yesterday after the German bank reported preliminary 1996 figures. They showed net profits higher than the previous year but below analysts' expectations. Having risen sharply in recent months along with the rest of the sector, the shares moved down by 3.2 per cent, or DM1.40, to DM42.40. The bank said it would transfer DM650m ($397m) to reserves (up from DM400m in 1995) and pay an unchanged dividend of DM1.35 a share at a cost of DM540m. Analysts said this meant net profits totalled DM1.19bn, a rise of 22 per cent on 1995, while they had been expecting up to DM1.3bn. The bank said operating profits were higher, but gave no figure. At last year's nine-month stage, operating profits were 37 per cent higher at DM1.67bn.

Commerzbank, Germany's third biggest commercial bank, said its group balance sheet rose 11.5 per cent last year to DM451bn. Loan volume rose 20 per cent to DM312bn. Loans to local authorities and inter-bank business rose sharply.

Deutsche Bank, Germany's biggest bank, also reported an unchanged dividend yesterday, of DM1.80 per share, but gave no figures to indicate its performance. The shares dropped DM1.85, or 2.2 per cent, to DM83.30 as profit-taking succeeded the recent run-up in bank shares. *Andrew Fisher, Frankfurt*

Volkswagen sales rise 11%

Volkswagen, the German car maker, lifted global sales 11.4 per cent from 3.56m units to a record 3.97m units in 1996, helping it to expand market share from 9.4 per cent to 10 per cent. Sales improved in all regions, although, at 2.6 per cent, growth was weakest in Germany. Argentina and eastern Europe reported the strongest increases, up 46 per cent and 41 per cent respectively. West European sales rose 9.7 per cent and North American sales were up 19.4 per cent. *Sarah Althaus, Frankfurt*

Luxottica up 27% in 1996

Luxottica, the Italian spectacle-frame maker which has become the world leader in this market, yesterday said its net earnings rose 27.2 per cent in 1996 from L161.7bn the year before to L205.7bn ($129m). Last year's figures, which include a 28.3 per cent rise in turnover to L2,373bn, include the activities of LensCrafters, the biggest US retailer in the sector. It acquired LensCrafters in May 1995 when it bought US Shoe. It subsequently disposed of the US group's footwear business. *Paul Betts, Milan*

Petrofina profits jump 38%

Petrofina, the Belgian oil group, said 1996 net profit rose 38 per cent from BFr11.6bn in 1995 to BFr16bn ($48m). Cash flow rose from BFr39bn to BFr45bn. European refining margin rose to $2.27 a barrel in 1996 from $1.80. Profit from exploration and production rose from BFr13.2bn to BFr23.8bn. Chemicals profits fell from BFr19.7bn to BFr11bn. *AFX News, Brussels*

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Citic deal reflects balance of HK power

CLP alliance highlights growing influx of Chinese capital and influence in the territory

If more proof were needed that 1997 promises to be a year of corporate upheaval, as well as historic political change, in Hong Kong, it was supplied yesterday.

The announcement of an alliance between Citic Pacific, China's flagship investment vehicle in Hong Kong, and China Light & Power, the monopoly electricity generator in Kowloon, closely followed other corporate coups – notably the purchase by Mr Larry Yung, Citic Pacific chairman, of an 18 per cent stake in his company and the move by Mr Li Ka-shing, the territory's most powerful tycoon, to make a general offer for Hongkong Electric.

Like those moves, yesterday'a announcement was rich in symbolism and ripe with business and political significance in the light of the return to Chinese sovereignty in July.

The Kadoories, the controlling shareholders of CLP, are old money. The Iraqi-Jewish family arrived in Hong Kong at the end of the last century to build their trading, hotels and utilities empire. Mr Yung, China's best-known capitalist, is an *arriviste* who has shaken up the corporate scene by taking strategic stakes in Hongkong Telecom and Cathay Pacific.

As with the restructuring at Cathay Pacific last year, the deal underlines the growing presence of mainland-backed businesses in important sectors. But while the aviation restructuring prompted concerns about the terms of mainland-backed transactions, observers expressed few qualms yesterday.

Citic Pacific paid little less than the market price for its 20 per cent stake in CLP, in line with recent market placements. Tha Kadoories remain the biggest shareholders, with a stake of 27 per cent.

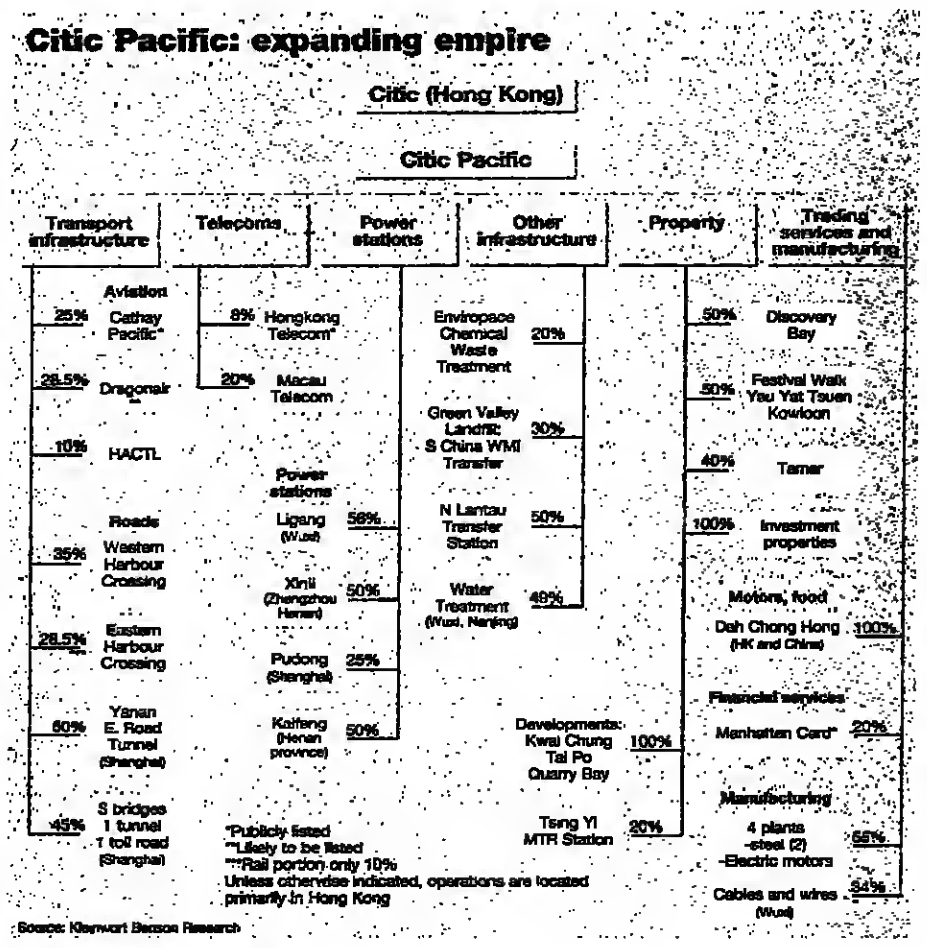
The companies themselves stressed the industrial logic of the deal. For CLP and the Kadoories, it provides the potential for expansion which does not exist in the mature Hong Kong market, courtesy of Mr Yung's expertise and contacts. "In Hong Kong, CLP is going nowhere," says Mr Robert Medd, conglomerates analyst at Deutsche Morgan Grenfell.

Demand for electricity in Kowloon and the New Territories, the areas covered by CLP's franchise, has been sapped hy the migration of manufacturing over tha Chinese border. Its excess generating capacity has led to a downward revision of investment plans and hence profits, since the two are linked hy the government's scheme of control, which governs the industry. In the year to end-September, net profits fell 15 per cent to HK$4.84bn (US$625m).

CLP has already been looking beyond Hong Kong for growth, and has taken stakes in power projects on the mainland, in addition to a 25 stake in Daya Bay, the nuclear power plant in the southern region of Shenzhen. Apart from Daya Bay, however, CLP's mainland ambitions have come to little. After four years of negotiations, it has failed to close a deal on the 3,200MW power plant in Shandong in eastern China.

CLP's China prospects should be improved by partnership with Mr Yung, an engineer with detailed knowledge of China's power sector and a useful political power-broker – his father is China's vice-president. The HK$16.25bn it will receive should also belp.

Citic Pacific: expanding empire



Source: Kleinwort Benson Research

China Light & Power (HK$m)

Year to September

Profit breakdown	1994	1995	1996	1997*
Turnover	15,445	17,072	18,620	20,671
After-tax profit	3,985	5,364	4,516	4,893
Net Profit	4,206	5,674	4,835	5,198
EPS (HK$)	2.11	2.85	2.43	2.61
Dividend (HK$)	1.15	1.62	1.19	1.25

Final Results	1996	1995	% ch
Turnover	18,620	17,072	+9.1
Operating Profit	3,496	3,151	+10.8
Associates	1,847	1,653	+11.7
Exceptional	-	1,286	-
Profit before tax	5,343	6,890	(22.8)
Tax	-826	-725	+13.8
Transfers	319	477	(33.1)
Net Profit (HK$)	4,836	5,674	(14.8)
EPS (HK$)	2.42	2.85	(15.1)
DPS (HK$)	1.40	1.62	(13.6)

Source: ING Barings * forecast

At home in Hong Kong, a partnership with Mr Yung would provide powerful backing in local political battles. With Hongkong Electric in the stable of Mr Li Ka-shing, CLP now has its own influential shareholder in the event of changes to the territory's scheme of control.

For Citic Pacific, the logic seems less compelling. If the benefit for CLP is gaining an exit from Hong Kong, why should Citic want to move in the opposite direction? "I find it hard to see the commercial henefits," says Mr Medd at Deutsche Morgan Grenfell. "And a big question is how they finance this."

One motive, according to some analysts, is that Citic would secure access to CLP's cash flow and balance sheet for its mainland ambitions. "It is s familiar theme," one investment banker says. "We have the connections, you have the financial muscle. Let's get together."

Others pointed to the group's strategic shift. Citic Pacific already has stakes in five mainland power stations and yesterday underlined its increasing focus on infrastructure as it sheds its image as a holding company.

Mr John Godfray, conglomerates analyst at Kleinwort Benson in Hong Kong, predicts profits from infrastructure could rise from HK$5m in 1993 to more than HK$1.5bn hy 1998. He also pointed to tha striking similarities between this deal and Mr Li Ka-shing's move at Hongkong Electric.

As with any deal in pre-handover Hong Kong, however, attention also focused on its further implications. Recent deals have raised concerns about the commercial environment in Hong Kong. Following claims that the aviation restructuring was a forced sale in which tha UK gronp Swires was pressured to sell a stake to Citic, Mr Yung's share purchase was criticised for lack of transparency and the low price that he paid.

Most observers were less concerned by yesterday's transaction. "The Kadoories were not forced sellers, and the benefits for CLP are pretty apparent," one investment banker says. But some have reservations. "With a mainland shareholder in CLP we may now see more politics in power in Hong Kong."

There was consensus on one point, however. Few expected yesterday's deal to he the last move in the restructuring of corporate Hong Kong. Should Citic Pacific sell some of its strategic stakes to help fund its new alliance – with speculation centring on Hongkong Telecom – it could even trigger the next wave of business realignments.

John Ridding and Louise Lucas

Jardine names Ward to head cars unit

By Louise Lucas in Hong Kong

Jardine Matheson, the Hong Kong conglomerate, has chosen Mr Peter Ward, one-time chairman and chief executive of the troubled Cunard Line, to be chief executive of its car distribution arm.

The move is part of a reorganisation of top-level executives.

Jardine International Motor Holdings (JIMH), the car distribution arm of the group, said Mr Simon Keswick, chairman, was to step down, although he remains a director of the company.

Mr Keswick will be replaced by Mr Anthony Nightingale, who was previously joint managing director.

Mr Ward joined Cunard, the UK shipping and cruise company, in June 1995, in the wake of problems on its QE2 liner. JIMH will present no less of a career challenge.

Falling luxury car sales in Hong Kong, a key market for JIMH, have dented earnings. In September, the company issued a profit warning for the full year. It reported net profits had more than halved in the six months to June 30, from US$73.1m to US$34.3m.

JIMH has been hit by a lack of demand for foreign cars in China. At the same time, foreign carmakers and distributors have suffered in Malaysia and Indonesia, which have introduced national car programmes.

Mr Sam Houston, finance director of JIMH, said Mr Ward was chosen for his experience and record in the motor industry.

In addition to stints with Peugeot-Talbot, Jaguar, Rover, Triumph and British Leyland, Mr Ward has been chairman and chief executive of Rolls-Royce Motor Cars.

Mr Houston noted that his time with Rolls-Royce took the company through recovery from a sales slump in the early 1990s.

Mr Houston said: "Any chief executive will want to look at the strategy of the business and set his own mark on it, but we are not hiring him principally as a magician."

Mr Ward's appointment is part of JIMH's plan for management succession.

Glyn Genin

Peter Ward: ex-Cunard chief prepares for more challenges

Mr Richard Lee, who has served as joint managing director with Mr Nightingale, is approaching retirement. Mr Lee is to be chairman of Zung Fu, the company's principal subsidiary.

Mr Ward quit Cunard Line, part of Trafalgar House, the UK construction, engineering and shipping group, three months ago, after just over a year.

His time there briefly coincided with Jardine's involvement with Trafalgar House. Jardine's property arm held a 26 per cent stake until March last year.

Mitsubishi teams up with Pininfarina

By Michiyo Nakamoto in Tokyo

Mitsubishi Motors, one of Japan's leading vehicle makers, yesterday confirmed it has a joint project with Italy's Industrie Pininfarina to launch a new sports utility vehicle in 1999, designed specifically for Europe.

Pininfarina, which makes vehicles for other companies, including Ferrari, Peugeot and Fiat, will produce about 35,000 units a year of Mitsubishi's new car at its facility in Turin.

Mitsubishi, Pininfarina and Mitsubishi Motor Sales Europe, will together invest Y20bn ($168m) in the project. Mitsubishi Motor Sales Europe will market the cars through its sales channels in Europe.

Mitsubishi already has a joint production facility with Volvo in the Netherlands.

The deal shows Mitsubishi's determination to be independent of Volvo, considered one of Europe's most vulnerable vehicle makers because of its narrow product range and small production volumes.

Mitsubishi and Volvo, together with the Dutch government, have a joint production facility called NedCar.

Mitsubishi and Volvo are discussing making trucks as well as cars. However, last year, Mitsubishi noted productivity at NedCar had been disappointing.

Mr Hirokazu Nakamura, chairman of Mitsubishi, said yesterday he was happy with NedCar and the relationship with Volvo, but made clear that the company would pursue its expansion in Europe through alliances with the most suitable partners.

Mr Nakamura emphasised that the choice of Italy as a production base owed much to the network of parts suppliers that has grown out of the country's long history of car production and the popularity of small cars.

Mitsubishi will be responsible for the design and development. However, it expects considerable input from Pininfarina, particularly on design aspects, the company said.

The engines, with a capacity of between 1,500cc and 2,000cc, will be imported from Japan, but Mr Nakamura expects local content to be about 80 per cent.

ASIA-PACIFIC NEWS DIGEST

Japan chip groups may cut spending

Japan's leading semiconductor makers are considering a cut in semiconductor capital spending this year amid the continuing sharp fall in the prices of their mainline memory chips.

Although the manufacturers, which are among the largest makers of dynamic random access (D-ram) memory chips, said plans for capital spending had not been finalised, several companies admitted that the plunge in memory prices since early last year had led them to reconsider their plans.

Hitachi, which invested Y150bn ($1.25bn) in semiconductor capital spending this fiscal year, said it would like to maintain that level of spending in fiscal 1997, but might have to revise its plan depending on market conditions.

Toshiba also said that since memory prices had not recovered, the company might have to consider reducing capital spending.

Japanese semiconductor makers have been hit hard by the plunge in memory prices, which came after many of them announced substantial increases in capital spending in anticipation of strong demand from the compnter and information technology industries.

Volume demand for memory chips is growing hut unit prices have fallen to about one-quarter or even one-fifth of their levels before the downturn, according to Toshiba. "The rapid plunge is putting pressure on sales and therefore we must tighten our belt," the company noted.

Michiyo Nakamoto, Tokyo

Row over Optus Vision grows

The legal battle between Mr Kerry Stokes' Seven Network, tha Australian broadcaster, and other members of the Optus Vision pay-TV consortium intensified yesterday, as Seven served a "default acquisition" notice on Optus Communications, the telecoms group.

Optus is one of the largest single shareholders in Optus Vision, with a 46.5 per cent stake, and its planned A$4bn (US$3.1hn) stock market float has already been delayed because of the legal row with Seven. Seven, which owns about 2 per cent of Optus Vision, began its action after other OV shareholders agreed to change the terms of an option deal with Mr Kerry Packer's Publishing and Broadcasting group. Seven claims this was in hreach of the OV shareholders' agreement.

If Seven's case is successful, the default acquisition notice might allow it to acquire Optus' shares in Optus Vision for about half the subscription price paid hy Optus. However, Optus has stressed that it intends to take "all steps necessary to protect its interests", and disputes the valuation process's results.

Nikki Tait, Sydney

Profits slide at Simsmetal

Simsmetal, the listed Australian scrap metal group which also has interests in the US and Europe, saw after-tax profits fall 42.9 per cent in the first half-year, to end-December, to A$14.1m (US$10.93m). Revenue was 11.5 per cent lower, at A$550.7m. The company hlamed lower demand and prices for secondary ferrous and non-ferrous metals, but added that these had improved in recent weeks, leading it to forecast better profits in the second half-year.

Nikki Tait

Crown, Hudson in casino talks

Crown Casino, bnilder and operator of the large new Melbourne casino, confirmed yesterday it was talking to Hudson Conway, the property group, about acquiring management rights to the gaming property. Crown also said that Hudson Conway planned to exercise its option to take its stake in Crown to 40 per cent, from around 33 per cent at present.

Mr Kerry Packer, the Australian businessman, is a significant shareholder in both Crown and Hudson Conway. He recently acquired management rights to the Sydney Harbour Casino, prompting speculation that there could be an eventual merger between Crown and SHC.

Nikki Tait

China airline in HK issue

China Eastern Airlines yesterday launched the Hong Kong tranche of its initial public offering, issuing 140m H-class to Hong Kong investors. The H-shares, which are shares of Chinese companies listed in Hong Kong, are priced at HK$1.38 each.

The H-shares issue is part of a global offering of 1.4bn shares. The rest of the IPO is being offered on world markets in the form of American Depositary Shares. Shanghai-based China Eastern is the first Chinese airline to go public, and analysts expect a strong response.

The IPO will close Friday at midday and the shares are expected to begin trading on Wednesday February 5. Morgan Stanley Asia is global co-ordinator for the issue.

AP-DJ, Hong Kong

Japan to lift derivatives ban

Japan's finance ministry, in an effort to speed up the pace of financial deregulation, is moving to lift the ban on over-the-counter derivatives trading by early next year. OTC derivatives trading, while popular in the US and Europe, is banned in Japan, which interprets such trades as gambling and prohibits it under the country's penal code.

However, the government's recent pledge of a "Big Bang"-style package of financial reforms has increased pressure on authorities to bring Japan in line with other leading financial markets. An advisory panel to the finance minister is expected to endorse the lifting of the ban hy April, and start drawing up new regulations on OTC derivatives trades.

Gwen Robinson, Tokyo

COMPANIES AND FINANCE: UK

UK group adds papers to tobacco as it tackles the effect of differing tax rates

Imperial pays £185m for Rizla

By Roderick Oram in London and Gordon Cramb in Amsterdam

Rizla, smokers' favourite brand of papers for hand-rolling cigarettes from tobacco and other leaves, has been bought by Imperial Tobacco of the UK for £185m ($309m).

The acquisition is the first since Imperial, number two in the UK cigarette market and maker of the Embassy brand, was spun off from conglomsrate Hanson and floated last year.

Imperial said Rizla would help it tackle two developments in European smoking prompted by inequitable tax regimes: a shift from factory-made to more lightly taxed hand-rolled cigarettes; and heavy cross-border trade in hand-rolling tobacco, particularly into the UK, because of differing duty rates.

Imperial's UK sales of its Golden Virginia tobacco have fallen some 40 per cent in recent years because of cross-Channel imports of tobacco from Belgium, where duties are lighter.

A 50gm pouch of Golden Virginia costs nearly £8 in a UK tobacconist bnt only £4 or so in pubs and street markets. These ontlets are supplied by bootleggers who buy it in Belgium for £2 a pouch due to lower taxes.

Bootleg hand-rolling tobacco accounts for abont 60 per cent of the UK market, estimates Mr Gareth Davis, chief execntive of Imperial.

Adding papers to tobacco "is a lovely fit," Mr Davis said.

Dutch-based Rizla, which earned pre-tax profits of £17m on sales of £74m last year, has two-thirds of the world market for branded rolling papers, and as mucb as 80 per cent in the UK and the Netherlands, its two main markets.

The Painblanc family of Belgium sold Rizla in mid-1994 to a group of investors led by the London venture capital arm of UBS, the Swiss bank.

The venture capitalists moved Rizla's headquarters to the Netherlands because it offered "an excellent business climate open to the outside world, with multilingual employees, an ability to attract management, and a friendly tax system," said Mr Roger Thomas, wbo will stay on as Rizla's chief executive.

Mr Thomas insisted neitber the company's Dutch location nor its growth strategy depended on the other notable use to wbicb its products are put: rolling cannabis joints, the small scale supply of which bas long been *decriminalised in the* Netherlands.

"Quite frankly it is absolutely minimal," be maintained. "We very specifically don't set out to promote our brands for anything except tobacco."

Energy Group hints at big US buy

By Simon Holberton

The Energy Group, the last of the demergers from Hanson, yesterday promised double-digit dividend growth and a strategy based on exploiting the company's skills in energy markets.

In documents pnblishsd ahead of its planned listing on February 24, Energy Group said that its dividend policy would be consistent with its "strategy of growth and investment".

It disclosed that it was in discussions which could lead to acquisitions in ths US of an energy trading business and generating assets.

Mr Derek Bonham, chairman, said possible investments in generation could be snbstantial enongh to require sharsholder approval. Analysts suggest a deal of £500m ($835m) or more is being considered.

Hanson shares fell 2p to 92½p amid concerns abont dividend policy.

Hanson shareholders will receive one Energy Group share for every 10 Hanson shares.

Analysts said they expected shares in Energy Group to trade at about 550p. Cazenove, the company's broker, said it valued the company at 585p a ahare.

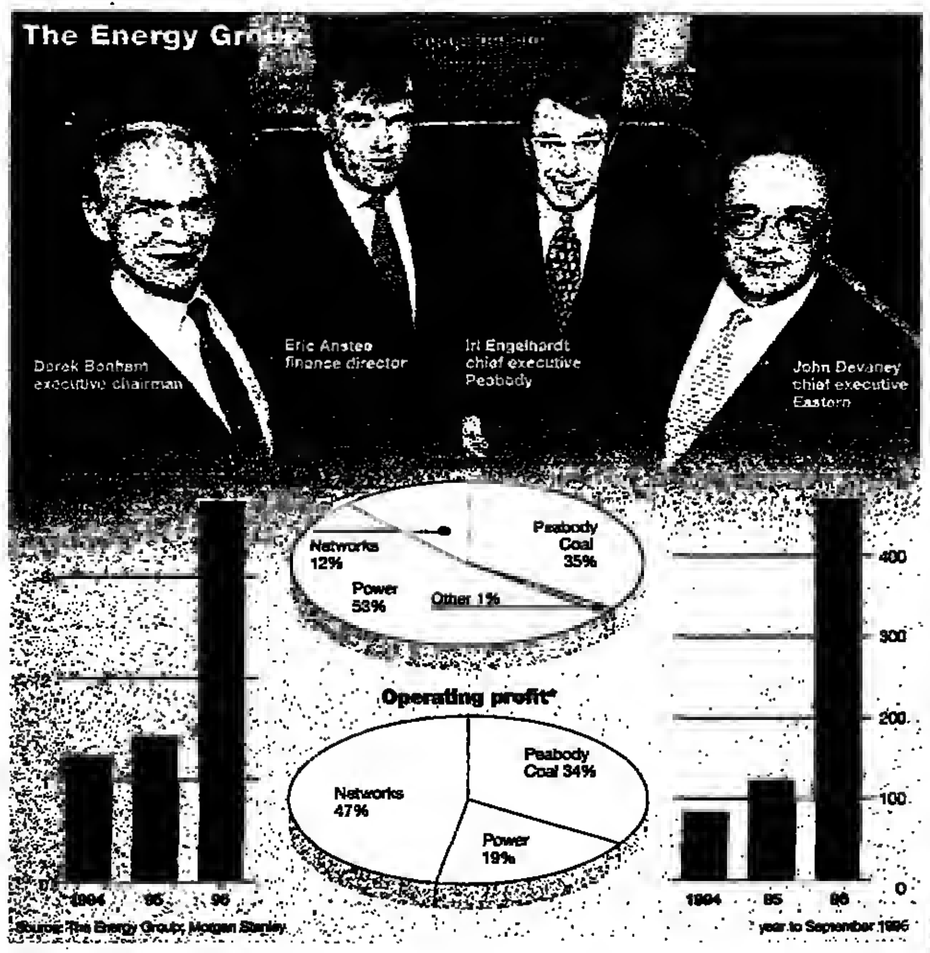
This share price range would value Energy Group between £2.86bn and £3bn. The company will come to the market with pro forma net assets of £1.8bn and net debt of £1.44bn. In the year to the end of September, It made pro forma pre-tax profits of £447m on turnover of £3.76bn.

Energy group owns Peabody Coal, the largest US coal producer, and Eastern Group, an integrated electricity company.

Executives will be abls to earn bonuses of up to a maximum 75 per cent of salary in the first two years and up to maximum of 125 per cent of salary in the third and subsequent years.

The company faces a challenge in getting investors to view it as a growth stock, rather than a traditional utility where dividend yield is the most important indicator watched.

Mr Bonham indicated that the company aspired to be rated with companies such as *Enron, the aggressive US* energy trading and power prodnction company that grew out of a regulated gas business.



Kenwood warns as chief departs

By David Blackwell

Kenwood Appliances, famons for its Chef food mixers, parted company with its managing director yesterday after warning of *significantly lower profits* in the second half.

The shares fell 22p to 164p as full-year forecasts were cut from about £9m to below £5m ($8.4m).

Mr Tim Beech, who moved np from finance director to managing director in October 1995, leaves st the end of next month. He will be snceeded by Mr Colin Gordon, now a director of Grand Metropolitan's wine and spirits subsidiary IDV.

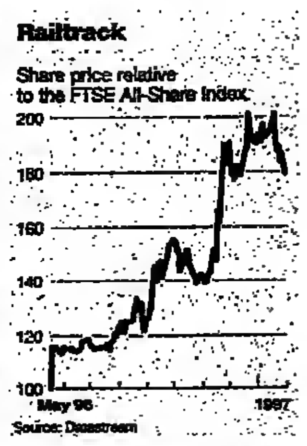
Last month Kenwood defeated a call by UK Active Value, the investment fund, that it should pnt itself up for sale. UKAV, which has a 9 per cent stake, described yesterday's developments as "exactly the strategy we snggested to both management and shareholders last year".

As well as mollifying such dissldent sbareholders, Mr David Nash, chairman since December 3, has had to deal wlth the revelation last month that Pifco, the household appliances group, was interested in taking over its hlgger rival. Pifco wonld make no comment yesterday bnt Kenwood is considered by the Takeover Panel to be in an offer period.

It said trading conditions in western Europe had continued to be tough, and the strength of the pound would hit profits as 75 per cent of sales are outside the UK. Mr Beech blamed the profits decline mainly on the weak Itallan market. Many of Kenwood's problems stem from the £22m acquisition of Ariete, a Florence-based prodncer of air conditioners. To fund the deal in 1994 it raised £27m throngh a 1-for-4 rights issue at 310p.

LEX COMMENT

Railtrack



Naturally, Railtrack denies it is considering taking control of London Underground's creaking infrastructure. But why? From Railtrack's point of view, taking over the Underground network would be a fantastic opportunity. Doubtless there would be some synergies, but the huge gains would come from injecting efficiency and more imaginative exploitstion of statlons' mostly wasted retail potential. Moreover, if Railtrack could persuade the government to hand over the network, it could almost certainly pick it up cheap. Who else, after all, would be bidding? For this reason, of course, even s Conservative government would presumably think twice about a sweetheart deal. And to a Labour government, anything labelled "privatisation" would be virtually impossible to swallow. Yet even if lt thinks a Labour victory is liksly, Railtrack should not give up on the idea; instead it should be thinking laterally. Any privatisation of the Underground would involve regulation and, for the foreseeable future, government subsidy. Labour says it is committed to public-private partnerships, and to the present government's private finance initiative. That should give Railtrack plenty of opportunity to get involved if it tactfully put its mind to it.

Energy Group

Pity the soon-to-be-floated Energy Group. Cobbled together from Hanson's energy interests, the new company has to construct a strategy which can plausibly embrace a good UK power business and the largest US coal producer. Yet the current solution – to use these as the first building blocks of an integrated international energy business – is worryingly grandiose.

Electricity generation is not a global business but a local one. So the Atlantic ocean is a pretty formidable obstacle to extracting anything but a spot of pooled expertise. Moreover, although the oddities of Britain's electricity pool mean there are business advantages from the combination of the group's generating and supply businesses in the UK, that is not where its ambitions lie. These are in the US, where the plan is to bolt power generation and supply on to the existing coal business.

According to the group's brokers, this will "capture the economic rent which stretches across the entire value chain". If this sounds like goobledegook, that may be because it is. Just because a power plant is bought by a coal producer does not suddenly make it worth more. Of course, that need not rule out ingenious wheezes in special situations. And who knows? The number of US power plants coming up for sale could mean some can be bought cheap. But in its enthusiasm to chase a sexy rating and impose coherence on its peculiar inheritance, the group could all too easily end up on an old-style Hanson buying spree which enhances earnings but destroys value.

Sterling blow to Hogg Robinson

By Motoko Rich

The strength of sterling took its toll again yesterday as Hogg Robinson said the appreciating pound had had a "marked impact" on some of its operations.

Shares in the travel, transport and financial services group tumbled 84p to 207p as it said it did not expect "to achieve the level of performance as currently predicted by analysts" for the year to March 31.

Brokers downgraded their pre-tax profit forecasts from £31m to £27m ($45m). Mr Brian Perry, chairman and managing director, said: "It is not a disaster by any means. It is a disappointment, bnt it is still a very healthy business."

Two divisions had been affected by the strong pound: the cross-channel trailer transport business and lts Nordle bnsiness travel operation, acquired for £59m in 1995.

Mr Perry said the German and Dutch transport operations had suffered. The trailer businesses were also affected as competition in the cross-channel market forced rates down. The division's profits were downgraded from £3.75m to £2.9m (£5.7m).

Bennett, the Nordic business, was only slightly hit by the strong pound because the gronp had hedged *against currency* movements. But competition in the market shaved margins and cost the business an important customer. Profits in the division were reduced from £11.5m to £9.4m.

Mr Perry said UK travel and financial services were performing to expectations.

DLJ acquires Phoenix for £50m

By John Gapper, Banking Editor

Donaldson, Lufkin & Jenrette, ths Wall Street investment bank, has become the second buyer of Phosnix Securities, the merchant bank that made its name advising brokers and jobbers during the 1980s deregulation of the City of London.

Phoenix was first acquired by Morgan Grenfell in 1987 when lt hired Sir John Craven, founder of Phoenix, as its chief executlve. It *regained its independence* when Morgan Grenfell was bought by Deutsche Bank.

DLJ, 73 per cent owned by Equitable, the US insurance company, is thought to have paid about £50m ($83.5m) to take over the firm. Some 70 psr cent of the equity is owned by three founding partners and other directors.

The US investment bank, itself the subject of takeover speculation since the flotation of a minority of its equity two years ago, intends to use DLJ Phoenix, as it will be known, to boost its European operations.

Mr Martin Smith, Mr Philip Seers, and Mr David Reid-Scott, the partners who bought the business from Deutsche Bank in 1990, have signed four-year "golden handcuff" deals along with three other directors.

Mr Smith, the chairman, *said there was a risk of los*ing clients who had valued its independence but initial reactions had been positive. The new firm intended to expand its venture capital operations and broaden the number of industries in which it provided specialist financial advice.

Clyde attacks 'crazy' Gulf offer

By Jane Martinson

Clyde Petroleum yesterday accused Gulf Csnsda Resources of offering a "crazy price" in its £432m ($704m) hostile takeover bid as it issued a new asset valuation and better-than-expected 1996 profits.

Using a study by Energy Research Consultants, Clyde came up with a value of 120p-144p a share, without any premiun for control. This compares with Gulf's offer of 105p a share.

Gulf attacked the valuations as "unrealistic" and "unbelievable", adding that the UK oil independent had produced no new information to justify an increased valuation.

But Mr Malcolm Gourlay, Clyde's chairman, said: "Nobody will accept their offer, and very few people will accept the current share price." A bid of about 120p a share would not win a recommendation from the board, he added.

Clyde's shares fell 2p to 116½p on fears that Gulf would not raise its bid by much. There was also disappointment at ERC's 120p-a-share valuation. Clyde's 144p figure was calculated on a forecast of $21 per barrel of oil, regarded as optimistic; ERC used $18.

The valuations prompted few analysts to change their net asset calculstions for Clyde, which average 80p. Much of the valuation gap relates to ERC's use of "potentially" commercial reserves, while exchange rates, oil price forecasts and discount rates added to the differential. One analyst said: "You can tweak it very slightly and end up with very positive numbers indeed".

Clyde's 1996 profits rose 22 per cent to £32m (£26.3m), helped by increased production and strong oil prices. Acquisitions contributed £41.7m to sales of £171.4m (£140.6m). Operating profits almost doubled to £65.2m.

A lower-than-expected tax charge of 44 per cent was largely caused by a provision write-back. A final dividend of 1.05p makes a total of 1.5p.

Malcolm Gourlay

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Clyde Petroleum	Yr to Dec 31	171.4	(140.6)	57	(37.1♥)	7.8	(6.4)	1.05	May 16	0.75	1.5	1.15
Colefax & Fowler	6 mths to Oct 31	20.32	(17.94)	1.01	(0.694)	3.04	(2.2)	0.9	Apr 9	0.75	-	1.9
Coral Products	6 mths to Oct 31	4.82	(4.66)	0.776	(0.773)	3.39	(3.38)	0.75	Feb 22	0.75	-	2.25
Danka Business	9 mths to Dec 31	803.9	(543.4)	28♠	(37.1♠)	8.8†	(13.3)	-	-	-	-	2.16
Division	Yr to Oct 31	4.9	(4.83)	1.68L♥	(3.89L♥)	3.8L	(9.2L)	nil	-	nil	nil	nil
Domino Printing	Yr to Oct 31	109.3	(105.6)	6.16	(5.15)	21.47	(10.62)	7	Apr 9	6.4	11	10.1
Elbief	6 mths to Oct 31	3.7	(2.72)	0.316	(0.027)	2.2	(0.2)	0.4	Apr 15	nil	-	0.8
Goodhead	6 mths to Nov 30	15.2	(16.3)	0.819♥	(0.451)	1.4	(0.8)	0.1	-	0.05	-	0.2
H&C Furnishings	6 mths to Oct 26 ★	61.7	(29.8)	0.839♠	(0.338)	1.62	(1.89)	2	Mar 4	1	-	3
Meavier-Swain	6 mths to Oct 31	56.6	(45.5)	7.02	(5.91)	9.4†	(8)	2.15	Apr 7	1.85	-	5.75
Microgen	Yr to Oct 31	73.4	(69)	8.78	(8.38)	15.1	(14.8)	5.4	Apr 7	5.2	7.8	7.5
Scottish Pride Φ	6 mths to Sept 28	64.7	(68.1)	2.45L	(0.03L)	7.8L	(0.1L)	-	-	-	-	-
Stewart Zigomala	6 mths to Sept 30	0.305	(0.302)	0.054♥	(0.024)	13.785	(6.138)	-	-	-	-	9.414

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Assets	3 mths to Dec 31	-	(-)	-	(-)	-	(-)	1.16375	Apr 7	1.13875	-	4.655
Contra-Cyclical	9 mths to Dec 31	34.6	(34.5)	0.486	(0.682)	6.08	(8.53)	2.25♦	Feb 28	2.25	-	9.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives for 27 weeks and restated. ΦAim stock. ♦Third interim; makes 7.75p to date.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 29.01.97: Pool purchase price £/MWh	Final Prices for Trading on 01.01.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.32	11.70	11.70
0100	18.75	18.89	21.04
0130	18.75	54.47	56.61
0200	18.75	54.47	56.61
0230	36.05	54.47	56.61
0300	43.27	32.55	34.70
0330	43.27	32.55	34.70
0400	43.27	19.72	21.86
0430	12.02	18.76	20.90
0500	12.01	18.76	20.90
0530	13.01	11.67	13.82
0600	13.01	11.67	13.82
0630	13.01	11.69	11.69
0700	26.13	11.69	11.69
0730	36.18	11.69	11.69
0800	36.17	11.68	11.68
0830	39.72	11.67	11.67
0900	39.74	11.67	11.67
0930	39.75	11.67	11.67
1000	39.76	11.68	11.68
1030	39.75	11.69	11.69
1100	39.74	11.68	11.68
1130	39.74	11.67	13.82
1200	38.73	16.83	18.98
1230	38.72	29.87	32.01
1300	36.18	29.87	32.01
1330	34.71	16.83	18.98
1400	34.70	16.83	18.98
1430	34.23	16.83	18.98
1500	34.23	16.83	18.98
1530	32.45	16.83	18.98
1600	34.24	16.83	18.98
1630	34.62	17.95	20.10
1700	56.05	21.99	24.14
1730	64.69	49.27	51.42
1800	86.83	49.27	51.42
1830	62.11	49.27	51.42
1900	51.75	30.00	32.14
1930	42.34	19.82	21.96
2000	41.25	19.82	21.96
2030	41.21	19.09	21.24
2100	37.80	17.15	19.29
2130	35.19	17.96	20.10
2200	35.16	11.85	11.85
2230	28.13	11.70	11.70
2300	20.49	11.70	11.70
2330	13.00	11.69	11.69
2400	11.68	11.69	11.69

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.89/MWh becomes 1.689p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and [illegible] provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 [illegible] between 9:00am and 5:15pm Monday to Friday.
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CONFERENCES

INTERNATIONAL CAPITAL MARKETS

US adds liquidity to index-linked sector

By Tracy Corrigan in New York

When the US Treasury, the world's biggest issuer of securities, holds its first auction of inflation-linked bonds today the international index-linked market will take a big leap towards the mainstream.

The UK authorities may pride themselves on having pioneered the index-linked gilts market, bnt even though 17 per cent of gilts issued are index-linked, the market is too small and illiquid for many investors. Similar markets in Canada, New Zealand, Australia and Sweden are regarded as even more obscure.

Index-linked Treasuries, on the other hand, could in time become a core investment for many funds.

"Institutional and mutual funds are looking at them, as well as a lot of esoteric accounts," said Mr Stephen Smith, fund manager at Brandywine Asset Management. "Mom and Pop may even end up buying them."

The US Treasury has made a long-term commitment to developing this market.

"I think that the Treasury is very serious abont making this a large component of its debt schedule," said Mr Tom Lynett, head of government bond trading at Merrill Lynch, who believes that in time there will be a range of issues with different maturities, creating an index-linked yield curve. This in turn is expected to lead to the development of corporate bond and futures markets.

Futures on index-linked Treasuries would substantially increase the liquidity of the index-linked market, by allowing securities firms to hedge their exposure and encouraging them to bid more aggressively at auctions, according to traders.

However, in its early days, the lack of liquidity of US index-linked bonds could deter some investors and a liquidity premium is likely to be priced into the bonds, say fund managers.

In "when-issued" trading before the auction, the inflation-linked bonds were yielding 3.5 per cent, which is level with the conventional Treasury market, if the current rate of inflation is stripped out.

But with US inflation worries at a low ebb, the timing of the first auction of bonds that protect against inflation does not seem ideal. Furthermore, the run-up to the auction has had a few mishaps. The launch had to be postponed to give traders more time to prepare systems.

Worse, late last year, a row broke out over the consumer price index, to which the bonds are pegged, when a panel of economists appointed by Congress found that the index overstates inflation by more than one percentage point annually.

The auction will take place against a backdrop of uncertainty over the future of the index – although the Treasury has said that if there is a fundamental change, it will keep the old index for existing issues. But this may add a further risk premium.

Still, Mr Ray Dalio, president of Bridgewater Associates, a bond and currency fund manager, says he likes the idea of "an asset with the same return as another asset but lower risk" and one which is in the long-run negatively correlated with ordinary US Treasuries.

Other fund managers are interested but will not rush in. "For something brand new, it's not so obviously cheap that I would want to participate [in the first auction]. We'll experiment on paper before we commit our clients' money," said Mr Robert Stricker, head of US fixed income at Citibank Global Asset Management.

European investors take a wait-and-see approach to $7bn debut

European governments will be watching the debut of index-linked US Treasuries very closely today – bnt investors in Europe are not expected to buy in large numbers, Edward Luce writes.

Investors say the $7bn issue is pitched more at domestic US institutional investors, snch as insurance companies and pension funds.

"There are a couple of European accounts waiting on the sidelines to see if the auction goes well," said Mr Mark Fox, at Lehman Brothers. "Bnt most European investors will wait and see. They will want to know whether this is an opportunistic issuance or whether it is the start of a continuing flow of indexed bonds which will ensure that the market is liquid."

Government index-linked bonds are less liquid than floating-rate issues, making them less attractive to investors with a shorter time horizon. UK index-linked gilts, for example, make up 17 per cent of government debt but only about 2 per cent of turnover.

Traders say that the new US bonds are structured in a similar way to equivalent Canadian and Australian indexed bonds. However, unlike index-linked gilts in the UK, they will be subject to tax.

European governments, notably Italy, are strongly considering issuing their own index-bonds pending the outcome of today's auction in the US. "If it is a success, then most of Europe will follow suit within three years," Mr Fox said.

Employment cost data lift US Treasuries

GOVERNMENT BONDS

By Lisa Bransten in New York and Richard Adams and Edward Luce in London

US Treasury prices rallied yesterday as fourth-quarter employment costs came in broadly in line with expectations. The market was also helped by a continued surge in the value of the dollar against the yen and D-Mark.

By early afternoon the benchmark 30-year Treasury was 1¼ stronger at 95⅝, to yield 6.845 per cent. Two-year notes were up $\frac{1}{32}$ to 99¾, yielding 5.993 per cent. The March 30-year bond future contract climbed 1$\frac{5}{32}$ to 110⅞.

The curve that traces the spread between the two-year note and the long bond steepened by 2 basis points to 86 points, amid speculation that the Federal Reserve would not tighten monetary policy at next month's Open Market Committee meeting.

Speculation had been building since last week that the employment cost index might have risen by as much as 1 per cent in the fourth quarter of last year.

Snch a rise might have prompted the Fed to raise interest rates. When the Labor Department early yesterday reported a rise of 0.8 per cent, bonds immediately began retracing the ground lost since last week.

Prices were also lifted by the dollar reaching a 47-month high against the yen of Y121.20 and rising to DM1.646 against the D-Mark.

In the UK, demand for gilts picked up rapidly following the release of the US data, and after the first gilt auction to be held by the Bank of England this year.

The Bank said its auction of £2.5bn of 7.25 per cent gilts, due in 2007, was covered 2.17 times. The auction had a yield tail of one basis point, the distance between the average yield and highest yield accepted. The price tail was ⅛.

Mr Edmund Nonis, UK economist at Nikko Europe in London, said the auction result was in line with expectations, but that the UK market lacked any impetus to give it independent direction.

On Liffe, the long gilt future March contract settled at 110$\frac{21}{32}$, up $\frac{11}{32}$ from the previous day.

In the cash market, the 10-year benchmark gilt rose $\frac{5}{32}$ to 100$\frac{9}{32}$, to yield 7.45 per cent, down by four basis points.

Italian and Spanish bonds rose in line with US Treasuries. Trading was buoyed by statements by Mr Romano Prodi, Italy's prime minister, that Italy was considering bringing its 1998 budget forward and merging it with this year's mini-budget.

Italian BTP March futures closed up 0.30 at 131.87 on Liffe. Spanish bono futures rose 0.67 to close at 114.35 in Madrid.

"There were indications that Italy might bring structural reforms, such as tackling pension obligations, forward to 1997," said Ms Ros Lifton, international economist at HSBC Markets in London. "This could give new impetus to the convergence process."

German bnnds also gained, with bund futures up 0.24 to 101.39. Benchmark 10-year cash bunds rose 0.23 to 101.72, with their yield falling three basis points to 5.77 per cent.

DePfa Bank Europe offers three-year notes

INTERNATIONAL BONDS

By Samer Iskandar

DePfa Bank Enrope, a stand-alone subsidiary of Germany's DePfa Bank, tapped the eurobond market for the first time yesterday.

The issue of $200m of three-year notes will be followed by others from the bank. "We will be paying the market regular visits in the future," said Mr Frank Rühland, group treasurer.

Morgan Stanley, the lead manager, said conditions were ideal for the launch, which took place before the afternoon rally in US Treasuries. With a relatively high coupon of 6.5 per cent, the bonds will appeal to retail investors, while a favourable swaps market offered an overall funding cost roughly equal to Libor.

The DePfa group's total borrowing programme for this year amounts to the equivalent of $20bn, a quarter of which will be raised by the new entity. "We are aiming to become more active in non-D-Mark markets through DePfa Bank Europe," Mr Rühland said.

Elsewhere, General Motors Acceptance Corporation said it intended to launch its first global issue, $1bn of five-year bonds, possibly today.

Pricing details were not revealed, but Merrill Lynch and J.P. Morgan were appointed joint lead managers. The timing was dictated by "exceptional demand for corporate bonds", GMAC said.

● Egypt's largest private-sector joint stock investment bank, Commercial International Bank, is expected to start tapping the bond markets soon, after shareholders approved a plan to raise up to E£900m (US$272m), writes Mark Huband in Cairo.

Mr Adel El-Laban, CIB managing director, recently stressed that it was unlikely to raise the funds through a single transaction and had until December 1998 to exercise the approval.

"The approval does not mean that we are going to be raising E£900m immediately," he said. "It's unlikely that we will go for a single transaction, unless something very attractive comes up. It's more likely there will be a series of transactions."

Both fixed and floating rate instruments are expected to be issued, with maturities of three, five and seven years. Up to half the amount could be raised in foreign currencies.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
DePfa Bank Europe	200	6.50	100.0R	Feb 2000	0.20R	+20(5⅞%-99)	Morgan Stanley Intl
Merita Bank(a)‡★	150	7.00	99.56R	Perpetual	0.88R	-	Merrill Lynch Intl
Argentaria Capital Funding‡	150	(b)	99.93R	Feb 2007	0.40R	-	CSFB/Salomon Brothers.
Capital One(c)‡★	100	(c1)	(c1)	Feb 2027	1.00	-	Lehman Brothers Intl
■ SWISS FRANCS							
JP Morgan and Co.	150	2.00	97.30	Dec 2001	std	-	SBC Warburg
■ STERLING							
Siemens Capital Corp	100	6.88	99.98R	Feb 2000	0.19R	+6(6%-99)	CSFB
Abbey National Trsy Srvcs‡	100	(d)	100.0R	Feb 2002	0.15R	-	SBC Warburg
■ LUXEMBOURG FRANCS							
Commerzbank Intl(s)	2bn	5.00	102.30	Mar 1997	1.88	-	BBL/BIL
■ CZECH KORUNA							
Kreditbank Int Finance	1bn	10.75	100.13R	Feb 1998	0.15R	-	Creditanstalt Bankverein

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Coupon callable at par after 10 yrs after which pays 6-mth Libor +225bp. b) To Feb 2002, then +75bp if not called at par. Discount margin 3-mth Libor +26.6bp. c1) Callable at par after 10 yrs.c) To be priced today at 3-mth Libor +160–170bp. d) 3-mth Libor +15bp; maximum coupon 10%. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	95.1775	−0.130	7.45	7.46	7.33
Austria		5.625	01/07	98.6600	+0.240	5.81	5.80	5.93
Belgium		7.000	05/06	108.9300	+0.140	5.73	5.72	5.96
Canada *		7.000	12/06	102.6400	+0.760	6.63	6.55	6.56
Denmark		8.000	03/06	110.4800	−0.800	8.44	6.37	6.70
France	BTAN	5.500	10/01	104.2776	+0.220	4.48	4.41	4.72
	OAT	6.500	10/06	106.6700	+0.420	5.60	5.58	5.81
Germany Bund		6.000	01/07	101.7200	+0.230	5.77	5.75	5.86
Ireland		8.000	08/06	109.4800	+0.480	6.62	6.55	6.73
Italy		9.500	02/06	115.7700	+0.220	7.10†	7.15	7.42
Japan	No 143	6.300	09/01	121.7760	−0.130	1.33	1.36	1.42
	No 182	3.000	09/05	104.4834	−0.180	2.38	2.42	2.43
Netherlands		5.750	01/07	100.4400	+0.260	5.57	5.59	5.80
Portugal		9.500	02/06	119.2400	+0.430	6.61	6.58	6.68
Spain		8.800	04/06	114.6200	+0.930	6.81	6.62	8.97
Sweden		8.000	08/07	109.0008	+0.620	6.77	8.62	6.94
UK Gilts		8.000	12/00	103-12	+4/32	6.98	6.97	7.37
		7.500	12/06	100-10	+9/32	7.45	7.42	7.83
		9.000	10/08	111-08	+11/32	7.54	7.50	7.70
US Treasury *		6.500	10/08	99-16	+18/32	6.57	6.55	6.34
		6.500	11/26	95-17	+26/32	6.85	8.82	8.60
ECU (French Govt)		7.000	04/06	107.8100	+0.540	5.90	5.91	6.18

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.01
Prime rate	8¼	Two month	-	Three year	9.13
Broker loan rate	7	Three month	5.18	Five year	6.33
Fed.funds	5$\frac{5}{16}$	Six month	5.31	10-year	6.57
Fed.funds at intervention	-	One year	5.55	30-year	6.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	129.88	130.52	+0.38	130.70	129.76	183,021	123,736
Jun	128.52	129.18	+0.40	129.22	128.52	2,514	14,447
Sep	126.84	127.50	+0.40	127.34	126.84	29	777

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
127	3.52	3.54	2.90	-	0.03	0.74
128	2.52	2.62	2.18	-	0.10	1.03
129	1.52	1.76	1.63	-	0.24	1.45
130	0.55	1.05	1.10	0.03	0.53	1.91
131	0.06	0.53	0.75	0.54	1.01	-

Est. vol. total, Calls 39,358 Puts 49,756. Previous day's open int., Calls 168,497 Puts 174,462.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.98	101.39	+0.24	101.47	100.74	293039	222454
Jun	99.90	100.49	+0.24	100.50	99.80	1575	7264

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
10100	0.86	0.66	0.90	1.08	0.47	1.17	1.41	1.59
10150	0.57	0.46	0.69	0.87	0.68	1.47	1.70	1.88
10200	0.35	0.31	0.52	0.68	0.96	1.82	2.03	2.18

Est. vol. total, Calls 29592 Puts 28530. Previous day's open int., Calls 171289 Puts 186431

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	131.32	131.87	+0.30	132.00	131.25	62043	110948
Jun	130.75	131.31	+0.27	131.40	130.75	1489	9197

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
13150	1.16	2.07	0.79	2.26
13200	0.88	1.81	1.01	2.50
13250	0.63	1.60	1.26	2.79

Est. vol. total, Calls 7768 Puts 3387. Previous day's open int., Calls 141628 Puts 117142

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	113.37	114.35	+0.67	114.40	113.34	103,141	67,334
Jun	–	114.22	+0.69	-	–	–	305

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-02	110-21	+0-11	110-26	109-29	102170	165586
Jun	-	110-04	+0-11	-	-	0	561

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
110	1-22	1-26	1-51	2-06	0-44	1-20	1-43	1-62
111	0-51	0-63	1-22	1-39	1-09	1-55	2-14	2-31
112	0-29	0-41	0-62	1-14	1-51	2-33	2-54	3-06

Est. vol. total, Calls 3265 Puts 1814. Previous day's open int., Calls 33062 Puts 23035

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.32	96.82	+0.26	97.06	96.32	1,281	6,402

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	109-24	110-27	+1-02	110-31	109-21	237,812	471,122
Jun	109-08	110-14	+1-05	110-14	109-08	4,032	28,604
Sep	-	109-27	–	–	–	1,009	6,625

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.45	-	-	126.47	126.25	2123	n/a
Jun	124.89	-	-	124.89	124.89	100	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Jan 28	Day's change %	Mon Jan 27	Accrued interest	xd adj. ytd		Low coupon yield Jan 28	Jan 27	Yr. ago	Medium coupon yield Jan 28	Jan 27	Yr. ago	High coupon yield Jan 28	Jan 27	Yr. ago
1 Up to 5 years (20)	121.43	0.09	121.42	2.72	0.86	5 yrs	7.10	7.14	6.67	7.15	7.19	6.91	7.20	7.23	6.98
2 5-15 years (21)	149.97	0.25	149.59	2.32	1.09	15 yrs	7.62	7.68	7.88	7.62	7.66	7.73	7.51	7.50	7.81
3 Over 15 years (6)	170.11	0.36	170.39	4.00	1.00	20 yrs	7.70	7.75	7.80	7.66	7.71	7.82	7.52	7.51	7.87
4 Irredeemables (6)	194.54	0.13	194.29	2.35	1.00	Irred.†	7.78	7.79	7.87						
5 All stocks (53)	144.74	0.21	144.63	2.82	1.00										

Index-linked							Inflation 5% Jan 28	Jan 27	Yr. ago	Inflation 10% Jan 28	Jan 27	Yr. ago
6 Up to 5 years (2)	205.01	0.09	204.83	1.95	0.00	Up to 5 yrs	3.15	3.16	2.46	2.44	2.46	1.21
7 Over 5 years (10)	195.27	0.21	194.86	1.18	1.09	Over 5 yrs	3.56	3.58	3.56	3.35	3.37	3.38
8 All stocks (12)	195.24	0.20	194.86	1.26	0.97							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. 1 Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22	Yr ago	High*	Low*
Govt. Secs. (UK)	94.70	94.53	94.82	95.17	95.35	95.58	96.34	81.59
Fixed Interest	117.74	117.70	117.93	118.00	117.80	114.12	117.82	110.74

Gilt Edged Activity Indices

	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21
Gilt Edged bargains	78.7	81.1	85.6	88.8	85.5
5-day average	83.5	84.1	83.4	84.8	83.2

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 28

[illegible]

CURRENCIES AND MONEY

Dollar rallies and D-Mark rises in Europe

MARKETS REPORT

By Graham Bowley

The dollar staged another strong rally against the yen and D-Mark yesterdey as speculation built that signs of inflation in the US labour market would give a green light to higher interest rates.

But the US currency lost some of its upward momentum after the publication of employment cost deta calmed fears of sharply higher inflation.

The US currency broke through the key Y120 against the yen, reaching e high of Y121.51 before closing in London at Y121.15.

It rose to a 31-month high against the D-Mark, before closing up more than 1 pfennig on the day by the end of London trading at DM1.6511.

Comments by Mr Jurgen Stark, a state secretary in the German finance ministry, and by Mr Romano Prodi, the Italian prime minister, led the D-Mark higher against other European currencies.

Mr Stark's comments suggested that the German authorities might be taking a tougher line towards the question of which countries should participate in European monetary union.

Economists said Mr Prodi's comments were taken to mean that he thought the Italian lira was too strong.

The pound fell sharply in the wake of the dollar's rise and after economic data showed a greater than expected widening in the UK trade deficit at the end of last year.

Sterling finished in London et $1.61, more than a cent lower against the dollar. Against the D-Mark, it closed at DM2.6583.

Elsewhere, the Australian dollar weakened ahead of key inflation numbers due to be published early today.

The currency was hit by speculation that a low inflation number might prompt tha authorities to lower interest rates to offset cuts in public spending.

■ After much speculation that the employment cost index would provide a final indication that US interest rates were likely to rise early next month, the data came in much in line with expectations yesterday.

The belief was that if the index showed rising wage pressures, Mr Alan Greenspan, chairman of the Federal Reserve, could well call for higher interest retes when the Fed meets on February 4 and 5.

"Greenspan has got everyone focusing on the labour cost numbers et the moment," said Mr Kit Juckes, et NatWest Markets in London.

Bnt while the index increased by 0.8 per cent between the third and fourth quarters of last year, this was not as inflationary as some analysts and traders had feared.

The data brought relief to US interest rate markets, triggering a surge in US Treasury bond prices. "That took the steam out of the dollar's rise," said Mr Tony Norfield, et ABN Amro in London.

The dollar's rise slowed despite separate data which showed US consumer confidence increased to its highest level since the 1980s.

"The probability of e Fed tightening has backed off a bit," said Mr Juckes.

■ Lack of reaction by the Japanese authorities to the dollar's rise gave tbe currency added upward momentum yesterday.

A surge by the dollar at the end of last week came to an end after ministry of finance officials began to talk it lower and it was hit by rumours that the Bank of Japan was buying the yen to prevent it from falling below Y120.

But there were no such pronouncements or market rumours yesterday as tbe dollar passed through the Y120 level apparently unhindered.

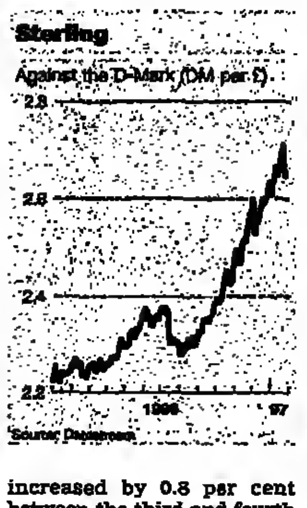
"The markets have been given further encouragement tbat the dollar can keep moving higher," said Mr Juckes.

■ Despite its losses against the doller, tbe D-Mark showed signs of renewed life on the European cross-rates yesterday.

It was supported by remarks by Mr Stark, which held out the prospect of a tougher German line on Emu.

Mr Stark indicated that markets' expectations that a broad range of countries, inclnding Spain and Italy, would take part in the first wave of Emu were exaggerated.

He said that tbe recent rally in the dollar was a correction to the strength of the D-Mark over the last few years.



■ Pound in New York

Jan 28	—Latest—	— Prev. close —
£ spot	1.6170	1.6225
1 mth	1.6161	1.6215
3 mth	1.6142	1.6196
1 yr	1.6052	1.6108

■ OTHER CURRENCIES

Jan 28	£	$
Czech Rp	44.9952 - 45.0553	27.9580 - 27.9780
Hungary	273.837 - 274.188	170.200 - 170.250
Iran	4831.50 - 4828.50	3000.00 - 3000.00
Kuwait	0.4967 - 0.4973	0.3024 - 0.3026
Poland	4.8446 - 4.8557	3.0100 - 3.0150
Russia	9055.05 - 9062.28	5626.00 - 5627.00
U.A.E.	5.9077 - 5.9162	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jan 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.7033	−0.0031	913 - 153	18.8129	18.6267	18.6596	2.8	18.6033	2.1	-	-	103.9
Belgium	(BFr)	54.8447	+0.0434	196 - 697	55.1770	54.6950	54.7197	2.7	54.4547	2.8	53.2597	2.9	104.1
Denmark	(DKr)	10.1430	+0.0046	382 - 478	10.1896	10.1109	10.1231	2.4	10.0825	2.4	9.9036	2.4	108.1
Finland	(FM)	7.8770	+0.0006	705 - 834	7.9170	7.8390	-	-	-	-	-	-	84.3
France	(FFr)	8.9577	+0.0047	641 - 713	9.0196	8.9561	8.947	2.8	8.9053	2.8	8.7006	3.0	108.9
Germany	(DM)	2.6583	−0.0008	566 - 599	2.6782	2.6546	2.6518	2.9	2.6385	3.0	2.5737	3.2	105.7
Greece	(Dr)	416.563	−0.196	313 - 814	419.263	415.567	-	-	-	-	-	-	98.7
Ireland	(I£)	1.0134	−0.001	126 - 142	1.0159	1.0091	1.0131	0.4	1.0121	0.5	1.0056	0.8	102.5
Italy	(L)	2603.13	+13.63	111 - 514	2605.78	2584.84	2606.38	−1.5	2608.73	−0.9	2596.88	0.2	77.8
Luxembourg	(LFr)	54.8447	+0.0434	196 - 697	55.1770	54.6950	54.7197	2.7	54.4547	2.8	53.2597	2.9	104.1
Netherlands	(Fl)	2.9872	+0.0007	858 - 888	3.0055	2.9828	2.9794	3.1	2.9639	3.1	2.8904	3.2	103.8
Norway	(NKr)	10.5384	−0.0035	335 - 433	10.5995	10.4862	10.5259	1.4	10.5059	1.2	10.4009	1.3	103.9
Portugal	(Es)	266.391	+0.77	227 - 554	267.472	265.174	266.586	−0.9	266.956	−0.8	-	-	95.2
Spain	(Pta)	224.193	+0.418	042 - 343	225.124	223.620	224.193	0.0	223.973	0.4	221.578	1.2	78.5
Sweden	(SKr)	11.7565	−0.0084	468 - 662	11.8442	11.6996	11.7375	1.9	11.693	2.2	11.4835	2.3	86.2
Switzerland	(SFr)	2.3015	+0.0049	000 - 030	2.3214	2.2983	2.2934	4.2	2.2782	4.0	2.2067	4.1	103.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	95.3
Ecu	-	1.3710	+0.0004	701 - 718	1.3764	1.3659	1.3691	1.7	1.3646	1.9	1.3432	2.0	-
SDR†	-	1.157598	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6098	−0.0135	092 - 103	1.6222	1.6033	-	-	-	-	-	-	-
Brazil	(R$)	1.6818	−0.0127	811 - 825	1.6931	1.6745	-	-	-	-	-	-	-
Canada	(C$)	2.1561	−0.0279	550 - 571	2.1820	2.1528	2.1509	2.9	2.1401	3.0	2.0811	3.5	87.1
Mexico	(New Peso)	12.5848	−0.1282	766 - 925	12.7133	11.2920	-	-	-	-	-	-	-
USA	($)	1.6100	−0.0135	095 - 105	1.6225	1.6035	1.6091	0.7	1.6073	0.7	1.5989	0.7	102.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0941	−0.0112	927 - 954	2.0998	2.0784	2.0954	−0.7	2.0961	−0.4	2.0957	−0.1	95.2
Hong Kong	(HK$)	12.4650	−0.1025	603 - 696	12.5601	12.4140	12.4577	0.7	12.4438	0.7	12.3793	0.7	-
India	(Rs)	57.7386	−0.4558	086 - 686	58.0850	57.5180	-	-	-	-	-	-	-
Israel	(Shk)	5.3376	−0.0235	295 - 457	5.3835	5.3190	-	-	-	-	-	-	-
Japan	(Y)	195.052	+1.287	911 - 193	195.490	193.030	194.122	5.7	192.267	5.7	183.852	5.7	123.7
Malaysia	(M$)	4.0148	−0.0265	125 - 186	4.0418	3.9991	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3389	−0.0186	370 - 408	2.3491	2.3280	2.3457	−3.5	2.3551	−2.8	2.3759	−1.6	113.5
Philippines	(Peso)	42.4074	−0.3556	459 - 689	42.6880	42.3380	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0381	−0.0508	359 - 403	6.0836	6.0141	-	-	-	-	-	-	-
Singapore	(S$)	2.2702	−0.0155	689 - 714	2.2845	2.2613	-	-	-	-	-	-	-
South Africa	(R)	7.3585	−0.0731	538 - 632	7.4255	7.3312	-	-	-	-	-	-	-
South Korea	(Won)	1382.27	−5.25	176 - 278	1387.59	1380.81	-	-	-	-	-	-	-
Taiwan	(T$)	44.1945	−0.3706	486 - 404	44.5052	44.0481	-	-	-	-	-	-	-
Thailand	(Bt)	41.6427	−0.2599	217 - 636	41.8890	41.4750	-	-	-	-	-	-	-

† Rates for Jan 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.6170	+0.0947	131 - 208	11.6545	11.6105	11.6023	1.5	11.557	2.1	11.362	2.2	103.6
Belgium	(BFr)	34.0650	+0.31	600 - 700	34.1560	33.8780	34.005	2.1	33.8775	2.2	33.3375	2.1	104.0
Denmark	(DKr)	6.3000	+0.0552	990 - 010	6.3154	6.2760	6.2911	1.7	6.2727	1.7	6.181	1.7	105.5
Finland	(FM)	4.8925	+0.041	900 - 950	4.9182	4.8572	4.8837	2.2	4.865	2.3	4.7825	2.2	83.8
France	(FFr)	5.5700	+0.0492	695 - 705	5.5892	5.5535	5.5617	1.8	5.5437	1.9	5.468	1.8	106.3
Germany	(DM)	1.6511	+0.0135	506 - 516	1.6570	1.6471	1.6482	2.1	1.6422	2.1	1.6175	2.0	105.2
Greece	(Dr)	258.735	+2.03	660 - 610	259.450	257.800	260.29	−7.2	262.86	−6.4	273.885	−5.9	66.3
Ireland	(I£)	1.5888	−0.0117	880 - 895	1.6010	1.5805	1.5883	0.3	1.588	0.2	1.5851	0.2	-
Italy	(L)	1616.85	+21.84	610 - 760	1619.30	1602.45	1619.58	−2.0	1622.74	−1.5	1623.62	−0.4	77.8
Luxembourg	(LFr)	34.0650	+0.31	600 - 700	34.1560	33.8780	34.005	2.1	33.8775	2.2	33.3375	2.1	104.0
Netherlands	(Fl)	1.8554	+0.0159	550 - 558	1.8609	1.8515	1.8518	2.5	1.8436	2.5	1.808	2.5	103.6
Norway	(NKr)	6.5456	+0.0523	446 - 466	6.5942	6.5176	6.5419	0.7	6.5362	0.6	6.5106	0.5	103.4
Portugal	(Es)	165.460	+1.85	410 - 510	165.780	164.300	165.665	−1.5	165.96	−1.2	166.735	−0.8	95.6
Spain	(Pta)	139.250	+1.415	200 - 300	139.500	138.730	139.348	−0.8	139.358	−0.3	138.58	0.5	78.3
Sweden	(SKr)	7.3022	+0.0555	984 - 059	7.3304	7.2792	7.2994	0.5	7.2896	0.7	7.2422	0.8	85.8
Switzerland	(SFr)	1.4295	+0.0149	290 - 300	1.4370	1.4285	1.4257	3.2	1.4179	3.3	1.385	3.1	102.8
UK	(£)	1.6100	−0.0135	095 - 105	1.6225	1.6035	1.6091	0.7	1.6073	0.7	1.5989	0.7	95.4
Ecu	-	1.1744	−0.0102	740 - 747	1.1821	1.1715	1.1758	−1.4	1.1789	−1.5	1.1955	−1.8	-
SDR†	-	0.714434	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0448	+0.0009	445 - 447	1.0448	1.0437	-	-	-	-	-	-	-
Canada	(C$)	1.3392	−0.0061	389 - 394	1.3450	1.3385	1.3368	2.1	1.3318	2.2	1.3043	2.6	86.3
Mexico	(New Peso)	7.8165	−0.014	140 - 190	7.8195	7.8130	7.9345	−18.1	8.201	−19.7	9.0615	−15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3006	+0.0038	002 - 011	1.3015	1.2942	1.3021	−1.4	1.304	−1.0	1.3085	−0.7	96.7
Hong Kong	(HK$)	7.7422	+0.0012	417 - 427	7.7428	7.7415	7.7421	0.0	7.7427	0.0	7.7597	−0.1	-
India	(Rs)	35.8625	+0.0175	550 - 700	35.8750	35.8550	36.0775	−7.2	36.5375	−7.5	-	-	-
Israel	(Shk)	3.3153	+0.0131	118 - 193	3.3196	3.3069	-	-	-	-	-	-	-
Japan	(Y)	121.150	+1.8	100 - 200	121.510	119.590	120.675	4.7	119.67	4.9	115.47	4.7	125.9
Malaysia	(M$)	2.4935	+0.0043	930 - 940	2.4965	2.4913	2.4964	−1.4	2.5017	−1.3	2.523	−1.2	-
New Zealand	(NZ$)	1.4527	+0.0018	520 - 535	1.4538	1.4478	1.4582	−4.5	1.4625	−2.7	1.494	−2.8	-
Philippines	(Peso)	26.3400	-	100 - 700	26.3700	26.3100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	−0.0001	502 - 506	3.7507	3.7501	3.7506	−0.1	3.7511	−0.1	3.753	−0.1	-
Singapore	(S$)	1.4101	+0.0022	097 - 104	1.4108	1.4086	1.4079	1.8	1.4033	1.8	1.3821	2.0	-
South Africa	(R)	4.5705	−0.007	690 - 720	4.5830	4.5650	4.6112	−10.7	4.6862	−10.1	5.001	−9.4	-
South Korea	(Won)	858.550	+3.9	500 - 600	859.800	856.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.4500	-	300 - 700	27.4780	27.4270	27.4501	0.0	27.4503	0.0	-	-	-
Thailand	(Bt)	25.8650	+0.055	600 - 700	25.8720	25.8080	25.955	−4.2	26.1225	−4.0	26.76	−3.5	-

† SDR rate per $ for Jan 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 27: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

January 28	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅛	3⅛	3⅜	6.00	2.50	–
France	3⅛	3⅛	3 5/16	3⅜	3 5/16	3.15	–	4.75
Germany	3 1/16	3 1/16	3⅛	3¼	3⅛	4.50	2.50	3.00
Ireland	6 5/16	5⅝	5⅞	5⅞	6⅛	–	–	6.25
Italy	7½	7⅜	7⅛	6⅞	6⅞	9.00	7.50	7.35
Netherlands	2⅝	2¾	2 13/16	3⅛	3⅛	–	3.00	3.30
Switzerland	1⅞	1¾	1 13/16	1⅞	1⅞	–	1.00	–
US	5⅜	5 5/16	5½	5 9/16	5⅝	–	5.00	–
Japan	⅞	½	½	½	⅝	–	0.50	–
■ $ LIBOR FT London								
Interbank Fixing	–	5⅜	5⅝	5 9/16	6	–	–	–
US Dollar CDs	–	5.17	5.22	5.32	5.56	–	–	–
ECU Linked Ds	–	4⅛	4⅛	4	4	–	–	–
SDR Linked Ds	–	3⅛	3 5/16	3¼	3⅜	–	–	–

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 2⅞	3 5/16 - 3 3/16	3⅛ - 3	3⅛ - 3	3 5/32 - 3 1/32	3⅛ - 3 5/32
Danish Krone	3 7/16 - 3¼	3 13/32 - 3½	3 9/16 - 3 7/16	3⅝ - 3½	3 11/16 - 3½	3¾ - 3⅝
D-Mark	3¼ - 3⅛	3 13/32 - 3¼	3 3/32 - 2 31/32	3 3/16 - 3 1/16	3 3/16 - 2 31/32	3 1/32 - 2 31/32
Dutch Guilder	2 13/16 - 2 11/16	2 13/16 - 2⅞	2 31/32 - 2⅞	3 - 2 27/32	3 1/16 - 2 31/32	3 5/16 - 3 3/16
French Franc	3 13/32 - 3 7/32	3⅜ - 3¼	3 13/32 - 3¼	3⅜ - 3¼	3 5/16 - 3 7/32	3 11/32 - 3 7/32
Portuguese Esc.	6¼ - 6 3/16	6¼ - 6 3/16	6 3/16 - 6⅛	5 15/16 - 5¾	5 21/32 - 5½	5½ - 5 13/32
Spanish Peseta	6¼ - 6 1/16	6¼ - 6 1/16	6⅛ - 6 1/16	5 27/32 - 5 11/16	5 21/32 - 5⅝	5⅝ - 5¼
Sterling	5¾ - 5½	6 - 5⅞	6 3/32 - 6 3/32	6¼ - 6 1/16	6 13/32 - 6 11/32	6¾ - 6 11/16
Swiss Franc	1 13/16 - 1 11/16	2 - 1⅞	1 13/16 - 1 11/16	1 13/16 - 1 11/16	1 13/16 - 1 11/16	1 13/16 - 1 13/16
Can. Dollar	3 - 2 13/16	3 - 2 13/16	3 1/16 - 2 31/32	3 3/16 - 3 1/16	3 5/16 - 3 3/16	3 23/32 - 3 19/32
US Dollar	5 9/16 - 5 7/16	7 13/32 - 5 5/16	5 13/32 - 5⅜	5 17/32 - 5 13/32	5 11/16 - 5 9/16	5 31/32 - 5 27/32
Italian Lira	8 - 7	7 15/16 - 7 13/16	7 - 7 7/16	7 3/16 - 7 1/16	6 31/32 - 6¾	6 11/16 - 6⅝
Yen	½ - ⅜	9/16 - 7/16	7/16 - 11/32	7/16 - 11/32	15/32 - 11/32	⅝ - ½
Asian $Sing	1¾ - 1⅝	1⅞ - 1¾	2¾ - 2⅝	2 15/16 - 2 13/16	3 - 2⅞	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.71	96.73	+0.02	96.75	96.67	30,275	74,856
Jun	96.71	96.76	+0.03	96.77	96.69	14,270	49,278
Sep	96.69	96.72	+0.03	96.74	96.64	8,601	33,842

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.87	96.88	-	96.88	96.85	26645	211696
Jun	96.83	96.85	+0.01	96.86	96.81	33481	182525
Sep	96.73	96.77	+0.03	96.79	96.70	44620	151899
Dec	96.55	96.60	+0.04	96.62	96.51	42001	155274

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	96.85	96.87	-	96.87	96.85	1505	12906
Mar	96.85	96.87	-	96.87	96.85	1075	13693
Apr	-	96.90	-0.01	-	-	0	757
May	96.89	96.90	-0.01	96.89	96.89	480	3932

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.25	93.24	-0.03	93.28	93.18	20727	93859
Jun	93.79	93.79	-0.03	93.82	93.73	21089	64785
Sep	94.12	94.12	-0.03	94.15	94.06	8632	42164
Dec	94.25	94.29	-0.02	94.30	94.23	4583	29489

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.12	98.19	+0.03	98.20	98.12	4720	36143
Jun	98.08	98.13	+0.03	98.13	98.07	4395	20764
Sep	97.96	98.00	+0.02	98.00	97.95	861	10611
Dec	97.76	97.80	+0.02	97.80	97.75	366	5760

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.46	-0.01	-	-	0	n/a
Jun	99.43	99.43	-0.01	99.43	99.43	1	n/a
Sep	99.33	99.33	-0.02	99.33	99.33	50	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.95	96.01	+0.03	96.00	95.95	1534	10085
Jun	95.98	96.05	+0.04	96.05	95.98	1234	6486
Sep	95.97	96.04	+0.04	96.03	95.97	408	4002
Dec	95.87	95.96	+0.05	95.95	95.87	131	4668

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9300	0.31	0.85	1.21	0.07	0.06	0.09
9325	0.15	0.64	1.00	0.16	0.10	0.13
9350	0.06	0.45	0.80	0.32	0.18	0.18

Est. vol. total, Calls 9289 Puts 2685. Previous day's open int., Calls 96283 Puts 67600

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.35	4.847	1.847	4747	5.447	19.22	485.8	408.8	21.44	4.196	1.823	3.931	2.936	355.6	2.500
Denmark	(DKr)	54.08	10	8.844	2.621	0.999	2567	2.946	10.39	262.7	221.1	11.60	2.269	0.986	2.126	1.588	192.3	1.352
France	(FFr)	61.15	11.31	10	2.964	1.130	2903	3.331	11.75	297.1	250.0	13.11	2.566	1.115	2.404	1.795	217.4	1.529
Germany	(DM)	20.63	3.815	3.374	1	0.381	979.3	1.124	3.965	100.2	84.35	4.424	0.866	0.376	0.811	0.606	73.36	0.516
Ireland	(I£)	54.14	10.01	8.853	2.624	1	2570	2.949	10.40	263.0	221.3	11.61	2.271	0.987	2.128	1.589	192.5	1.353
Italy	(L)	2.107	0.390	0.345	0.102	0.039	100.	0.115	0.405	10.23	8.613	0.452	0.088	0.038	0.083	0.062	7.491	0.053
Netherlands	(Fl)	18.36	3.395	3.002	0.890	0.339	871.4	1	3.529	89.19	75.06	3.937	0.770	0.335	0.722	0.539	65.28	0.459
Norway	(NKr)	52.03	9.620	8.509	2.522	0.961	2470	2.834	10	252.8	212.7	11.16	2.183	0.949	2.046	1.528	185.0	1.301
Portugal	(Es)	20.59	3.806	3.366	0.998	0.380	977.1	1.121	3.956	100.	84.18	4.414	0.864	0.375	0.809	0.604	73.20	0.515
Spain	(Pta)	24.46	4.523	4.000	1.186	0.452	1161	1.332	4.701	118.8	100.	5.245	1.026	0.446	0.962	0.718	86.98	0.612
Sweden	(SKr)	46.63	8.622	7.626	2.260	0.861	2213	2.540	8.963	226.5	190.6	10	1.957	0.850	1.833	1.369	165.8	1.166
Switzerland	(SFr)	23.83	4.407	3.897	1.155	0.440	1131	1.298	4.581	115.8	97.44	5.111	1	0.435	0.937	0.700	84.75	0.596
UK	(£)	54.84	10.14	8.968	2.658	1.013	2603	2.987	10.54	266.4	224.2	11.76	2.301	1	2.156	1.610	195.0	1.371
Canada	(C$)	25.44	4.703	4.160	1.233	0.470	1207	1.385	4.889	123.6	104.0	5.455	1.067	0.464	1	0.747	90.45	0.636
US	($)	34.06	6.298	5.570	1.651	0.629	1617	1.855	6.547	165.5	139.3	7.304	1.429	0.621	1.339	1	121.1	0.852
Japan	(Y)	28.12	5.200	4.599	1.363	0.519	1335	1.532	5.405	136.6	115.0	6.031	1.180	0.513	1.106	0.826	100.	0.703
Ecu		40.00	7.396	6.541	1.939	0.739	1899	2.179	7.688	194.3	163.5	8.578	1.678	0.729	1.573	1.174	142.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6093	0.6060	−0.0018	0.6093	0.6053	28,267	85,013
Jun	0.6110	0.6112	−0.0022	0.6112	0.6097	401	5,096
Sep	-	0.6145	−0.0034	-	0.6145	101	2,236

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8426	0.8316	−0.0111	0.8429	0.8316	10,574	71,126
Jun	0.8505	0.8437	−0.0101	0.8505	0.8431	310	2,871
Sep	-	0.8650	-	-	0.8627	14	476

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7042	0.7012	−0.0025	0.7032	0.6990	15,420	49,224
Jun	0.7091	0.7065	−0.0039	0.7098	0.7065	103	2,521
Sep	0.7150	0.7147	−0.0027	0.7155	0.7135	19	1,896

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6238	1.6098	−0.0132	1.6238	1.6024	7,301	33,522
Jun	1.6042	1.6070	−0.0134	1.6070	1.6020	24	2,384
Sep	–	1.6000	–	–	1.5980	1	1,038

UK INTEREST RATES

LONDON MONEY RATES

Jan 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5¼	6 - 5¾	6⅛ - 6	6 3/16 - 6⅛	6½ - 6⅜	6 13/32 - 6 11/32
Sterling CDs	-	-	6 3/32 - 6 1/32	6 3/16 - 6⅛	6 5/16 - 6¼	6 21/32 - 6 19/32
Treasury Bills	-	-	5 15/16 - 5⅞	6 - 5 29/32	-	-
Bank Bills	-	-	6 3/32 - 5 31/32	6 3/16 - 6	6 5/16 - 6 3/16	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	6⅜ - 6¼	6½ - 6 7/16	6⅞ - 6¾
Discount Market deps	6⅛ - 5⅞	6 1/16 - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Certs of Tax dep. under £100,000 is 2½pc. Make Ave. tender rate of discount on Jan 24, 5.9134pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 31, 1996. Agreed rate for period Jan 26, 1997 to Feb 25, 1997, Scheme III 7.66pc. Reference rate for period Nov 30, 1996 to Dec 31, 1996, Schemes IV & V 6.419pc. Finance House Base Rate 6½pc from Jan 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.62	93.65	+0.02	93.68	93.61	7370	99851
Jun	93.35	93.40	+0.04	93.41	93.33	13675	100909
Sep	93.10	93.18	+0.05	93.19	93.09	8743	65909
Dec	92.91	92.99	+0.05	93.00	92.91	6454	49807
Mar	92.77	92.85	+0.05	92.86	92.77	1981	37085

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.18	0.11	0.13	0.03	0.21	0.45
9375	0.03	0.04	0.07	0.13	0.39	0.64
9400	0	0.01	0.03	0.35	0.61	0.85

Est. vol. total, Calls 867 Puts 1700. Previous day's open int., Calls 198841 Puts 189149

EMS EUROPEAN CURRENCY UNIT RATES

Jan 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.743237	−0.001142	−6.95	9.37	47
Finland	5.85424	5.76784	−0.00699	−1.48	3.30	10
Portugal	197.398	195.222	+0.338	−1.10	2.91	7
Italy	1906.48	1904.14	+5.13	−0.12	1.90	1
Spain	163.826	164.307	+0.258	0.29	1.48	−2
Netherlands	2.19979	2.18954	−0.00058	0.91	0.86	−7
Belgium	39.7191	40.1891	−0.0108	1.18	0.59	−9
Denmark	7.34555	7.43332	+0.00012	1.19	0.58	−8
Germany	1.92573	1.94882	−0.00064	1.20	0.57	−12
Austria	13.5485	13.7119	−0.0041	1.21	0.56	−9
France	6.45863	6.57345	−0.00049	1.78	0.00	−15
NON ERM MEMBERS						
Greece	295.269	305.448	−0.05	3.45	−1.61	-
UK	0.793103	0.733439	−0.000662	−7.52	10.06	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.620	1.59	2.30	2.75	1.22	2.02	2.53
1.630	1.12	1.83	2.33	1.75	2.51	3.07
1.640	0.71	1.44	1.92	2.39	3.10	3.66

Previous day's vol., Calls 2,174 Puts 95. Prev. day's open int., Calls 30,902 Puts 50,073

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.610	0.56	0.87	1.14	0.66	0.88	1.08
0.615	0.37	0.65	0.91	0.98	1.16	1.31
0.620	0.28	0.48	0.72	1.32	1.48	1.61

Previous day's vol., Calls 704 Puts 1,599. Prev. day's open int., Calls 35,736 Puts 20,485

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.35	94.40	+0.04	94.41	94.34	42,638	394,489
Jun	94.15	94.25	+0.10	94.26	94.14	81,885	377,293
Sep	93.95	94.05	+0.10	94.07	93.94	49,770	283,621

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.90	94.95	+0.05	94.96	94.90	210	4,611
Jun	94.73	94.82	+0.10	94.82	94.73	15	3,222
Sep	–	94.59	+0.08	94.59	–	23	719

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9675	0.14	0.16	0.14	0.17	0.01	0.02	0.04	0.07
9700	0.02	0.03	0.02	0.05	0.14	0.15	0.17	0.20
9725	0	0	0	0.01	0.37	0.37	0.40	0.41

Est. vol. total, Calls 16430 Puts 9499. Previous day's open int., Calls 444382 Puts 278126

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.10	0.19	0.21	0.18	0.31	0.40
9850	0.03	0.09	0.11	0.34	0.48	0.61

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6575 Puts 2535

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association.
* In administration

COMMODITIES AND AGRICULTURE

Mix-up delays payments to Russian gold mines

By Kenneth Gooding, Mining Correspondent

Russia's gold mining industry has not been paid for its precious metal since the end of November because of a bureaucratic mix-up, it was claimed yesterday.

Mr Lev Weinberg, a Russian businessman with interests in mining, estimated that 45 tonnes, or 1.45m troy ounces, of gold – worth roughly $506m – had been stockpiled at mines and refineries because the government would not pay for it.

Mining companies had not been able to pay employees so productivity and output had fallen. The industry employs about 500,000 people, he said.

Russia's gold miners previously were paid by Komdragmet, the state committee for precious metals and gem stones, which had the exclusive right to buy their gold and export it.

In November, however, Komdragmet was disbanded and its functions were split between the Ministry of Finance and the Ministry of Industry.

Mr Weinberg said that until last year Komdragmet paid on delivery but in 1996 it was short of money and mining companies frequently had to wait weeks for payment.

He said that Russia's central bank now had permission to buy and export gold and would start doing so next month. The bank would have no difficulty paying the gold miners because it could print new money to the value of the gold.

The central bank would buy not only from the mining companies but also from the private commercial banks which recently won the right to buy gold.

Mr Weinberg said that the eight Russian commercial banks licensed to buy gold hoped that within a few months they would be able to export the metal. They also intended to set up an active gold bullion market to help to finance Russia's mining industry.

Mr Weinberg, who among other interests is president of Bam Credit Bank, has been appointed chairman of the new gold exchange.

He said the Russian government was committed to creating the right conditions for a thriving gold exchange in which foreign banks would play their part but practical details still had to be finalised. He estimated the cost of setting up the exchange would be only $1.5m.

He insisted: "If the market is not launched in 1997 it will be a catastrophe for the gold industry." The industry required investment of $200m a month and without that Russia's gold production would dwindle away.

With the help of an active gold exchange, Russian gold production, which has now fallen to about 120 tonnes a year, could return to its peak of 300 tonnes, he suggested.

He estimated that Russia's domestic market could absorb about 30 tonnes of gold a year, so the rest of its output would have to be exported or put in the central bank's reserves.

The commercial banks were ready to start a gold sales drive in Russia by offering small gold bars to the public.

Avgold ahead but passes dividend

By Mark Ashurst in Johannesburg

In its first results since merging its ailing gold mines into a single listing, Avgold, the South African gold producer, reported a modest improvement for the December quarter.

Profit from gold was 15 per cent higher at R85m ($18.5m), but no interim dividend was declared. Mr Jurie Geldenhuys, managing director, said passing the dividend was "a one-off decision in the interests of not compromising certain accounting principles".

The group has changed its year-end to June, and has begun to amortise capital expenditure over longer periods.

The results were at the lower end of expectations. Although shareholders had welcomed the new structure, which offered investors a pure play in gold, analysts said the group would trail the Johannesburg gold index in the medium term.

A recovery hinged on successful exploration at the Target prospect in the northern Free State, and Avgold's search for new prospects in Africa.

The results were not comparable with the previous quarter because of changes in the company structure. But Mr Geldenhuys claimed they were equivalent to a 65 per cent rise in earnings before tax and exceptional items to R77.2m.

A buoyant gold price offset a decline in total gold production, which dropped 3.5 per cent from 8,447kg in the September quarter to 8,149kg in the three months to December 31. The operating surplus increased by 65 per cent to R101.8m, helped by a 15 per cent increase in profit from gold to R85m and an exceptional R18m from disposals of uranium at Hartebeestfontein mine.

Further rise in copper stocks

MARKETS REPORT

By Kenneth Gooding

Another substantial rise in London Metal Exchange copper stocks reported yesterday, of 9,650 tonnes, did not ease the market's technical tightness. The premium for copper for immediate delivery over three-month metal reached $335 a tonne.

Traders said this brought back memories of May last year and December 1995, when a battle for supremacy in the copper market was being fought between Sumitomo, trying to drive the price up, and some US funds, attempting to push it down.

The premium for rolling a position forward for one day was $24 a tonne, only $2 below the daily limit set by the LME executive during the Sumitomo battles and not removed since.

Mr Nick Moore, analyst at the Flemings Global Mining Group, said: "Traders are eyeing the February 3-7 period as another danger point." He also suggested that the sustained tightness "makes the inevitable price fall once the squeeze dissipates all the more savage".

Lead came under pressure on the LME as speculators who use charts decided to sell, even though exchange stocks showed a 775 tonne fall. The price of lead for delivery in three months fell by nearly 3 per cent, or $22, to $675 a tonne.

Gold's recovery was stopped in its tracks by the release of US employment cost data showing no indications of inflation in the economy. Having started with a morning "fix" in London st $357.25 a troy ounce, gold tumbled and was "fixed" in the afternoon at $353.70.

Silver in London was unable to remain above $5 yesterday. After touching $5.06 an ounce it ended at $4.98 in late trading.

Crude oil futures firmed as traders awaited the latest American Petroleum Institute inventory data.

Brent Blend for March delivery was quoted in late trading on London's International Petroleum Exchange at $22.33 a barrel, 28 cents above its close on Monday.

Oil prices have drifted steadily downward in recent weeks, from their recent highs of close to $25 a barrel.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-6,950	to 958,725
Aluminium alloy	-160	to 73,340
Copper	+9,650	to 165,650
Lead	-775	to 113,725
Nickel	-218	to 48,812
Zinc	+675	to 484,375
Tin	-135	to 10,460

Divergent opinions on outlook for oil

International Energy Agency forecasts have come under fire, says Robert Corzine

Oil price forecasts published this month reveal one of the widest divergences of opinion among analysts in recent years over the short-term to medium-term direction of world petroleum markets.

Average oil price predictions for 1997 fall in a broad range of around $18-$21 a barrel for Brent Blend, the North Sea crude that serves as a global price benchmark. That compares with a current Brent price of about $22.50 a barrel and a 1996 average of $20.82 a barrel.

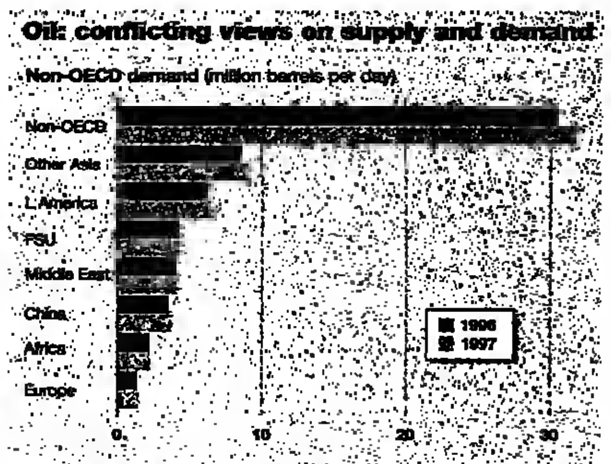
Analysts attribute the wide differential to conflicting views over two issues: the supply of oil from countries outside the Organisation of Petroleum Exporting Countries, and demand, especially in the emerging economies in Asia, Latin America and eastern Europe.

Some believe the divide can be traced to forecasts issued by the International Energy Agency. Statistics produced by the IEA, which monitors world oil markets on behalf of the leading industrialised countries, are among the most widely used benchmarks by industry analysts worldwide.

But over the past year there has been growing criticism of some of its conclusions, especially about the level of non-Opec output.

Oil: conflicting views on supply and demand

Non-OECD demand (million barrels per day)



Sources of 1997 non-Opec supply growth ('000 barrels per day)

	1994	1995	1996	1997
North Sea	350	285	375	509
Latin America	194	104	442	610
Africa	42	164	110	232
Asia	245	276	96	107
Other OECD & non-OECD Europe	27	48	101	153
Non-Opec Middle East	156	80	27	59
Processing gain	40	38	150	180
Total excluding FSU	1,060	997	1,211	1,990
Former Soviet Union	-644	-149	-56	53
Total non-Opec	616	848	1,155	2,043

Source: International Energy Agency

"If you believe the IEA numbers, then there is a major accident waiting to happen in the markets," says Mr Fergus MacLeod, oil analyst at Edinburgh brokers, NatWest Securities.

Earlier this month the IEA predicted that a surge in non-Opec output would reduce demand for Opec oil by 200,000 b/d over the year. But Mr MacLeod believes the "underlying non-Opec rate is not as great as estimated." And he suggests that lower non-Opec output is not just linked to delays in some new North Sea fields, one of the main factors behind last year's lower than expected non-Opec production.

The new technology that has enabled oil companies to push up production from existing reservoirs has not led to a big gain in overall recoverable reserves, as had been hoped, he says. Nor have the west's leading oil companies been particularly successful in finding big new fields.

"The faster decline rates in older fields is one reason why the companies are developing so many smaller deposits," he says.

Other analysts, however, point to demand, rather than supply, as being the biggest uncertainty.

Saudi Arabia, the world's largest oil exporter, has repeatedly emphasised the difficulty of accurately assessing demand in fast-growing countries with vibrant informal economies. In such cases economic statistics can be at best out of date or at worst misleading.

A report published this week by Cambridge Energy Research Associates (Cera) speculates as to whether the world oil industry is "missing some demand growth", given that there is a two-year lag in the compilation of official data on world oil consumption.

It suggested that possible IEA revisions this spring to demand figures for 1994-93 could mean thet demand may be as much as 600,000-700,000 barrels a day higher than expected. That, says Cera, could lead "to a more ready absorption of Opec and non-Opec supply" and firmer prices.

Some analysts who predict prices at the lower end of the range believe last year's price rally will bring forth significant new supplies.

"An awful lot of oil comes out with prices at $25 a barrel," says Ms Sue Graham, at the London office of US brokers Merrill Lynch.

There is one issue on which the bulls and the bears agree, however. The most trying time for oil markets is likely to be the northern hemisphere spring, traditionally the weakest period for oil prices. But any weakness this year could be compounded by Iraqi oil exports under the United Nations oil-for-food programme.

The bulls say lower prices will be the signal for refiners to begin large-scale buying to rebuild badly depleted stocks, thus putting a floor under prices.

The bears, however, believe that only a late cold snap will prevent rising supplies in the spring from outpacing demand.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1604-05	1629-30
Previous	1618.5-19.5	1639-39.5
High/low		1638/1623
AM Official	1605-06	1632.5-33
Kerb close		1623-33
Open int.	247,679	
Total daily turnover	57,901	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1520-25	1535-40
Previous	1526-33	1535-36
High/low		1540/1530
AM Official	1523-25	1532-33
Kerb close		1532-35
Open int.	5,062	
Total daily turnover	834	

■ LEAD ($ per tonne)

Close	665.5-7.5	676-8
Previous	687.5-88.5	696-97
High/low		695/671
AM Official	678-9	688-9
Kerb close		675-6
Open int.	33,778	
Total daily turnover	19,075	

■ NICKEL ($ per tonne)

Close	7155-65	7260-65
Previous	7180-90	7280-90
High/low	7150	7305/7150
AM Official	7140-45	7250-51
Kerb close		7210-20
Open int.	49,453	
Total daily turnover	13,255	

■ TIN ($ per tonne)

Close	5815-20	5875-76
Previous	5930-40	5980-85
High/low		5970/5855
AM Official	5875-80	5930-31
Kerb close		5870-75
Open int.	15,158	
Total daily turnover	4,830	

■ ZINC, special high grade ($ per tonne)

Close	1106-09	1129.5-30
Previous	1117.5-18.5	1139-40
High/low		1141/1128
AM Official	1116-19	1139-40
Kerb close		1132-33
Open int.	91,450	
Total daily turnover	23,846	

■ COPPER, grade A ($ per tonne)

Close	2573-78	2241-42
Previous	2558-63	2253-54
High/low	2535	2246/2234
AM Official	2534-35	2238-39
Kerb close		2242-44
Open int.	152,815	
Total daily turnover	49,597	

■ LME AM Official £/$ rate: 1.6074
LME Closing £/$ rate: 1.6163

Spot: 1.6161 3 mths: 1.6134 6 mths: 1.6110 9 mths: 1.6083

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	111.10	-0.10	111.60	109.50	528	2,465
Feb	107.65	+0.05	107.65	106.90	271	3,009
Mar	106.15	+0.25	106.30	105.10	4,600	24,916
Apr	104.25	+0.75	104.10	103.80	39	1,222
May	102.90	+0.50	102.90	101.90	328	6,213
Jun	102.25	+0.75	-	-	9	764
Total					6,040	54,673

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	353.00-353.30		
Opening	356.90-357.20		
Morning fix	357.25	221.45	511.56
Afternoon fix	353.70	219.68	506.22
Day's High	357.50-357.80		
Day's Low	352.80-353.20		
Previous close	354.60-354.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.96   5 months 4.05
2 months ....3.98   12 months 4.04
3 months 4.00

Silver Fix	p/troy oz.	US cts equiv.
Spot	313.00	503.00
3 months	317.30	509.10
6 months	321.70	515.25
1 year	330.65	526.00

Gold Coins	$ price	£ equiv.
Krugerrand	356-358	221-222
Maple Leaf	-	-
New Sovereign	83-86	52-53

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	353.9	-3.2	-	-	-	-
Feb	354.0	-3.3	358.2	353.2	38,862	48,075
Apr	355.7	-3.5	360.1	354.8	23,117	56,817
Jun	358.0	-3.5	361.9	357.2	1,456	22,050
Aug	360.4	-3.5	364.5	360.6	283	8,377
Oct	362.9	-3.6	363.8	363.6	1,253	3,729
Total					65,882	191,255

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	357.8	-3.8	358.0	357.0	13	10
Apr	360.5	-3.8	364.4	360.2	1,890	19,702
Jul	362.8	-3.8	364.8	364.0	6	3,218
Oct	365.1	-3.7	368.5	366.0	244	2,247
Jan	367.5	-3.7	369.8	369.8	-	1,077
Total					1,909	26,254

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	124.75	-1.05	126.00	124.50	544	6,072
Jun	126.05	-1.05	126.35	126.00	79	1,864
Sep	127.20	-1.05	-	-	-	360
Dec	128.20	-1.05	-	-	-	18
Total					623	8,314

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	494.3	-8.4	-	-	47	17
Feb	494.4	-8.4	-	-	5	2
Mar	496.3	-8.4	506.0	494.5	28,429	56,705
May	500.8	-8.8	510.0	499.5	4,166	10,446
Jul	505.5	-8.6	513.5	504.0	226	8,851
Sep	510.2	-8.8	513.5	508.0	10	3,043
Total					33,247	89,238

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	24.05	+0.11	24.17	23.84	44,441	82,630
Apr	23.57	-0.13	23.65	23.35	11,822	37,599
May	23.12	+0.14	23.15	22.98	2,138	22,663
Jun	22.70	+0.15	22.78	22.56	2,982	31,418
Jul	22.23	-0.06	22.25	22.23	1,651	15,854
Aug	21.92	+0.09	21.95	21.90	729	14,432
Total					66,215	348,584

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	22.24	-0.18	22.39	22.18	15,118	64,820
Apr	21.82	+0.18	21.96	21.77	3,334	30,681
May	21.39	+0.07	21.53	21.39	1,017	16,410
Jun	21.10	+0.12	21.19	21.06	1,513	17,275
Jul	20.81	+0.15	20.85	20.76	1,353	12,009
Aug	20.51	+0.14	20.55	20.47	1,575	3,009
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	66.95	-0.34	67.55	66.60	15,773	25,589
Mar	65.85	+0.04	66.20	65.45	13,183	29,698
Apr	63.25	+0.06	63.60	63.05	3,932	13,372
May	60.60	+0.16	61.00	60.10	1,257	5,719
Jun	59.25	+0.36	59.25	57.80	880	5,851
Jul	58.50	+0.31	58.50	58.40	203	3,462
Total					36,285	102,913

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	200.50	+0.75	203.00	199.50	7,373	23,702
Mar	196.50	-0.25	198.25	196.00	4,789	15,549
Apr	191.50	-	193.00	191.25	1,877	7,967
May	167.00	+0.50	167.75	167.00	202	3,464
Jun	185.00	+0.50	185.25	184.79	321	7,410
Jul	184.75	+0.75	184.75	184.75	12	2,684
Total					21,651	67,855

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.565	-0.050	2.640	2.525	13,581	29,251
Apr	2.265	-0.042	2.320	2.230	3,643	16,079
May	2.120	-0.030	2.155	2.090	1,203	12,337
Jun	2.100	-0.028	2.130	2.080	961	8,660
Jul	2.095	-0.030	2.125	2.085	495	8,837
Aug	2.115	-0.010	2.125	2.085	666	7,673
Total					65,764	151,302

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	67.60	-0.02	68.05	67.30	11,600	16,390
Mar	67.75	+0.10	68.10	67.45	12,327	23,580
Apr	69.25	+0.20	69.50	69.00	2,181	11,503
May	68.80	+0.25	68.95	68.35	1,821	8,286
Jun	67.40	+0.15	67.60	67.30	589	5,520
Jul	68.70	+0.30	65.70	68.50	218	2,906
Total					29,361	73,661

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	92.80	-0.70	92.75	92.00	92	1,790
May	95.00	-0.60	95.00	94.40	257	2,849
Jul	97.00	-0.50	96.80	96.50	32	445
Sep	91.00	-0.25	-	-	-	17
Nov	93.00	-0.25	93.05	92.50	158	1,157
Jan	95.00	-0.25	95.00	94.25	37	36
Total					576	6,294

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	373.00	+1.50	374.50	371.25	5,987	27,080
May	359.00	+3.00	359.50	356.50	1,081	10,261
Jul	347.25	+3.00	348.50	343.25	2,108	24,178
Sep	350.00	+3.00	351.50	346.00	46	1,528
Dec	359.00	+2.00	361.00	357.00	179	1,364
Jul	344.00	+2.00	-	-	18	138
Total					9,429	64,589

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	274.75	-0.25	277.25	274.25	25,949	122,385
May	272.25	-0.50	274.75	271.75	8,939	67,614
Jul	270.50	-0.50	273.25	270.25	6,450	63,628
Sep	266.75	+0.25	268.00	268.25	495	9,069
Dec	268.25	+0.50	268.75	267.50	2,099	43,792
Mar	273.50	-	274.50	273.25	174	2,690
Total					44,266	311,837

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	92.50	-	92.00	92.00	15	346
May	93.00	+0.50	92.50	92.50	21	163
Sep	90.50	-	-	-	-	28
Nov	92.50	-	92.00	92.00	10	261
Jan	94.50	-	94.00	94.00	2	-
Total					46	798

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	744.50	-5.25	752.50	744.00	26,183	76,704
May	746.00	-4.50	753.00	745.50	8,464	37,261
Jul	746.75	-4.50	754.50	746.00	3,898	32,992
Aug	742.50	-4.75	749.50	742.00	179	4,954
Sep	712.75	-3.75	719.00	712.00	309	1,418
Nov	689.75	-2.25	693.75	689.50	2,646	15,036
Total					41,694	168,944

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	24.16	-0.20	24.48	24.15	4,787	46,918
May	24.54	-0.20	24.87	24.53	1,458	18,628
Jul	24.90	-0.17	25.20	24.89	724	14,975
Aug	25.02	+0.18	25.32	25.02	83	2,849
Sep	25.11	-0.17	25.40	25.11	124	2,662
Oct	25.30	-0.12	25.50	25.50	71	723
Total					7,416	91,295

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	236.8	-1.2	239.0	236.8	8,110	38,747
May	233.1	-1.8	235.8	233.0	2,622	21,310
Jul	232.1	-1.7	234.7	232.0	2,088	19,243
Aug	229.5	-1.3	231.3	229.5	250	3,249
Sep	224.2	-0.7	225.8	224.2	192	2,676
Oct	213.8	-0.5	215.8	213.0	8	1,044
Total					13,504	88,840

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	51.0	-	-	-	-	-
Apr	55.5	-1.5	56.0	55.3	23	1,152
May	60.8	-2.5	61.0	60.0	14	91
Jun	72.5	-2.5	-	-	-	-
Nov	63.5	-2.5	-	-	-	2
Apr	114.0	+3.0	114.0	113.0	10	575
Total					47	1,820

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1375	-10	1378	1375	42	877
Feb	1308	-27	1320	1305	215	507
Mar	1367	-19	1375	1367	74	551
Apr	1418	-12	1425	1415	75	1,028
Jul	1207	-8	1215	1200	10	533
Oct	1355	-	1351	1350	15	139
Total					428	3,685

	Close	Prev
BFI	1382	1394

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	894	-1	903	891	1,885	34,255
May	914	-1	924	911	2,762	23,849
Jul	933	-2	944	933	368	11,232
Sep	953	-2	964	953	142	12,775
Dec	965	-1	975	964	739	10,355
Mar	980	+1	990	979	252	17,701
Total					6,366	125,736

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1318	-8	1318	1299	6,357	23,228
May	1348	-9	1351	1332	1,207	22,983
Jul	1373	-10	1378	1357	209	13,355
Sep	1398	-10	1399	1384	348	9,061
Dec	1429	-8	1420	1407	137	3,200
Mar	1443	-11	1445	1429	127	12,558
Total					8,404	89,859

■ COCOA (ICCO) (SDR's/tonne)

Jan 27	Price	Prev. day
Daily	1009.54	998.62

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1540	+26	1570	1518	00	1,052
Mar	1479	+4	1505	1455	2,673	19,270
May	1470	-4	1500	1450	1,561	19,979
Jul	1469	-1	1485	1450	545	5,500
Sep	1459	-1	1483	1440	125	2,125
Nov	1449	-1	1450	1430	8	1,128
Total					4,981	49,198

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	139.50	+2.90	140.20	136.50	7,350	23,721
May	134.60	+2.85	135.25	132.25	3,166	8,878
Jul	131.20	+2.85	131.50	129.00	748	4,472
Sep	126.50	+3.25	127.00	124.25	546	2,737
Dec	121.55	+3.40	121.00	119.50	285	1,988
Mar	117.50	+4.00	116.10	116.10	92	490
Total					12,188	43,328

■ COFFEE (ICO) (US cents/pound)

Jan 27		Prev. day
Comp. daily	105.50	167.73
15 day average	99.40	98.29

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	297.8	-0.3	298.7	297.1	990	11,761
May	297.7	-0.5	298.5	297.2	1,107	7,886
Aug	298.7	+0.2	299.2	298.5	250	2,934
Oct	295.7	-0.6	296.0	295.8	240	1,904
Dec	297.2	+0.2	298.1	298.1	8	629
Mar	299.0	-0.3	-	-	-	400
Total					2,808	25,631

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.41	-0.03	10.46	10.39	14,470	67,656
May	10.43	-0.01	10.45	10.41	4,671	37,484
Jul	10.41	-0.02	10.44	10.40	1,530	27,298
Oct	10.44	-0.01	10.45	10.42	515	17,299
Mar	10.47	-	10.47	10.43	343	6,406
May	10.51	-	-	-	7	1,197
Total					21,541	157,833

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	75.11	-0.15	75.50	74.90	4,640	21,430
May	76.45	-0.08	76.75	76.25	1,849	18,110
Jul	77.48	-0.07	77.80	77.20	537	8,153
Oct	77.65	-0.15	77.65	77.30	37	1,512
Dec	77.55	-0.11	77.59	77.30	587	11,886
Mar	78.40	+0.10	78.40	78.30	3	713
Total					7,681	62,299

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.75	+0.25	93.00	91.00	6,415	15,780
May	95.50	+4.10	96.40	94.00	1,525	6,938
Jul	98.65	+4.35	99.30	96.50	438	2,263
Sep	100.70	+3.80	102.10	100.10	238	1,834
Nov	102.55	+3.25	103.50	102.50	32	388
Jan	104.00	+3.25	105.75	103.00	63	175
Total					8,848	30,485

Tea

There was improved and more general demand this week reports the Tea Brokers Association. Landed brightest and coloury medium East Africans were firm to 2 pence/kg dearer, but brighter mediums lost 2-3 pence/kg. Ceylons were mainly dearer. Offshore, there was good demand at firm to dearer rates. Quotations: Landed Best available: 152p/kg. Good: 122p/kg. Good medium: 114p/kg. Medium: 104p/kg. Low medium: 88p/kg nom. The highest price realised this week was 152p/kg for a Burundi.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 28	Jan 27	month ago	year ago
1960.1	1956.7	-	2179.5

■ CRB Futures (Base: 1967 = 100)

Jan 27	Jan 24	month ago	year ago
243.65	241.11		

■ GSCI Spot (Base 1970 = 100)

Jan 27	Jan 24	month ago	year ago
208.40	207.46	234.01	187.45

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	64.575	-0.400	64.975	64.500	7,705	20,935
Apr	66.575	-0.275	67.100	66.550	12,350	38,237
Jun	64.375	+0.050	64.600	64.225	3,822	13,466
Aug	64.150	+0.050	64.400	63.950	2,024	15,443
Oct	67.325	+0.450	67.500	66.850	560	6,293
Dec	69.850	+0.500	70.050	69.250	501	3,439
Total					27,541	101,071

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	76.275	+0.900	77.300	76.250	2,732	8,981
Apr	78.350	+0.650	77.100	76.275	3,379	11,766
Jun	80.525	-0.875	81.350	80.350	1,636	7,129
Jul	78.550	-0.450	79.050	78.300	225	1,590
Aug	74.725	-0.225	75.000	74.400	226	1,445
Oct	67.775	-0.150	68.100	67.600	113	1,357
Total					8,391	33,487

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	80.175	-0.375	81.400	78.900	2,051	3,558
Mar	80.875	-0.425	81.200	79.000	757	1,414
May	80.550	-0.225	81.650	80.025	637	2,141
Jul	79.925	-0.650	80.475	79.400	226	640
Aug	76.550	-0.150	77.300	76.550	41	435
Total					3,712	8,188

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1550	89	118	13	38
1600	56	87	29	58
1650	31	63	54	82
■ COPPER (Grade A) LME	**Mar**	**Jun**	**Mar**	**Jun**
2200	118	107	24	102
2300	52	67	66	160
2400	20	40	132	230
■ COFFEE LIFFE	**Mar**	**May**	**Mar**	**May**
1450	70	107	41	87
1500	45	87	66	117
1550	31	72	102	152
■ COCOA LIFFE	**Mar**	**May**	**Mar**	**May**
875	26	51	7	12
900	12	35	18	21
925	5	23	36	34
■ BRENT CRUDE IPE	**Feb**	**Mar**	**Feb**	**Mar**
2150	-	-	-	-
2200	-	-	-	29
2250	-	32	-	52

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

Dubai	$20.30-0.43w	-0.04
Brent Blend (dated)	$22.59-2.61	+0.045
Brent Blend (Mar)	$22.27-2.29	+0.005
W.T.I.	$23.97-4.00w	-0.11

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-226	
Gas Oil	$205-207	+1.5
Heavy Fuel Oil	$94-96	
Naphtha	$221-223	+0.5
Jet fuel	$232-234	-0.5
Diesel	$216-218	

■ NATURAL GAS (Pence/therm)

Bacton (Feb)	17.50-18.00	-0.60

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

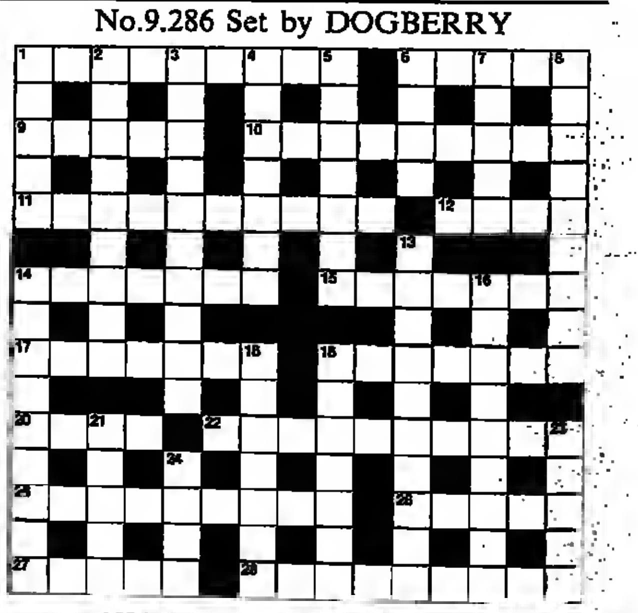
Gold (per troy oz)‡	$353.15	-1.60
Silver (per troy oz)‡	498.50c	+4.40
Platinum (per troy oz.)	$359.25	+1.25
Palladium (per troy oz.)	$122.75	+0.25
Copper	117.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.56r	-0.08
Tin (New York)	277.50	-2.00
Cattle (live weight)	102.08p	-0.81*
Sheep (live weight)	142.08p	+5.18*
Pigs (live weight)†	74.84p	-8.02*
Lon. day sugar (raw)	$257.20	+6.40
Lon. day sugar (wte)	$301.20	+2.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	78.25p	
Rubber (Mar)♥	78.25p	
Rubber (KL RSS No1)	301.0x	-1.0
Coconut Oil (Phil)§	785.0y	+5.0
Palm Oil (Malay.)§	562.5y	-7.5
Copra (Phil)§	$502.5y	-2.5
Soyabeans (US)	208.0x	+5.0
Cotton Outlook'A' index	80.75	+0.20
Wooltops (64s Super)	408p	-7

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Jan w Mar y Feb/Mar♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on na head of pigs sold. ‡ New month of January.

JOTTER PAD

CROSSWORD

No.9,286 Set by DOGBERRY



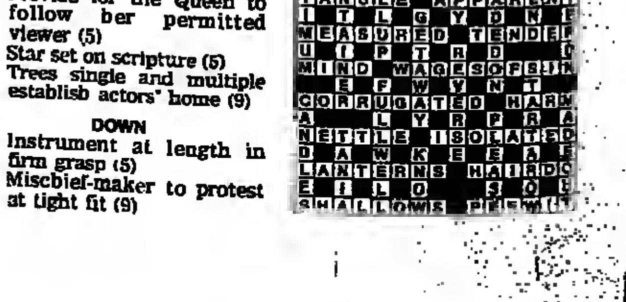
ACROSS

1 Church music introduced this month; it steadies the helm (9)
6 Heath admits Thatcher's beginning to be a driving force (5)
9 Quiet sneer about persona non grata (5)
10 Flying visit by baseballer (5-4)
11 Bust right in, with voice or without it (10)
12 Get away with upsetting f-fairy (4)
14 Girl set out to develop cartilage (7)
15 Conical performance artist in the country (Spain) (7)
17 Fruit, second-class fruit (7)
19 Inactive fellow trod round outside (7)
20 Perhaps easternmost part of church (4)
22 Transparent block to hold prisoner, one on a charge of theft (10)
25 Subversive's mistake is to enter the race (9)
26 Provide for the Queen to follow her permitted viewer (5)
27 Star set on scripture (5)
28 Trees single and multiple establish actors' home (9)

DOWN

1 Instrument at length in firm grasp (5)
2 Mischief-maker to protest at tight fit (9)
3 King shut up in river and lake (9)
4 Eggs outside Brock's home supply decoration (7)
5 Unimaginative girl in snap (7)
6 Defeat partner (4)
7 Unqualified for sum (5)
8 Dodgy enterprise one refused to stand for (9)
13 Liberal Party chair, where men wear trousers (10)
14 Island soldier trains at scene of sacrifice (9)
16 Woman to persuade to include one part of Mahler's 5th (9)
18 Uncharitable, for the flesh is weak (7)
19 Enjoy almost the whole thing by numbers? (7)
21 Display indifference to quiet carpeting (5)
23 Walled about in mire (5)
24 Sweet sap (4)

Solution 9,285



FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 01481 722065

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Island Global Fd	0	1838.1	1949.4	-8.3	0.84
Island Gold	0	3922.5	4157.8	+92.4	0.391
(Accum. Units)	0	7479.3	7928.1	+114.9	0.391
Island UK Fd	0	1062.6	1126.4	-3.7	3.26
(Accum Units)	0	2612.8	2769.6	-8	3.26

Prudential Fund Managers (Guernsey) Ltd
PO Box 57, St Peter Port Guernsey 01481 707000
Prudential Money Funds Ltd

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Managed Sterling		149.1	145.2	+0.2	5.00
Managed Dollar	$	$13.04	13.84	-0.07	4.86
Dollar Deposit		$10.09	10.10	—	3.76

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 710700

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا في الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) 0001 to 1100 hours
(♦) 1101 to 1400 hours
(♣) 1401 to 1700 hours
(♠) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
\$ Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
x Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
e Offered price includes all expenses except agent's commission.
z Previous day's price.
Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
◆ Yield column shows annualised rate of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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LONDON STOCK EXCHANGE

Equities welcome strong rally in US stocks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Sentiment in London was transformed in mid-session by the latest economic news from the US. That news engineered a sharp rally in US Treasury bonds and on Wall Street where the Dow Jones Industrial Average jumped almost 100 points within 30 minutes of the opening.

Big gains in the latter, which rose a point at the opening, lent good support to gilts which had suffered from a larger than expected trade deficit and a mildly disappointing outcome to the auction of £2.5bn worth of 10-year gilts.

The FTSE 100 index, which lost the 4,200 level in mid-morning, gathered itself after the US news and galloped ahead to close 25.4 higher at 4,237.4, less than a point off the day's best.

Demand did not span the whole of the market, however. The FTSE 250 gave a disappointing performance, sliding 10.4 to 4,582.7. The SmallCap recorded a minor gain, up 0.5 at 2,292.4.

The encouraging US news was from the employment cost index for the December quarter which was up 0.8 per cent on the third quarter and 2.8 per cent year-on-year.

Although in line with consensus forecasts, the news was greeted with widespread relief on both sides of the Atlantic. Dealers pointed out that the US Federal Reserve's Open Market Committee pays particular attention to the employment cost index as part of its interest rate decision-making process.

The next meeting of the FOMC is scheduled to start next Tuesday and there had been twitches of unease in the US recently about the possibility of the Fed nudging rates higher.

Wall Street, which has fallen heavily in recent sessions, bounced strongly, with the Dow Jones Industrial Average climbing 99 points shortly after the opening. The Dow had fallen 223, or 3.2 per cent, from its record closing high of 6,883.9 over the previous four sessions.

A rise in the US consumer confidence index, to 116.8 from 114.2, briefly took the edge off gains, but thereafter made little or no impact on sentiment.

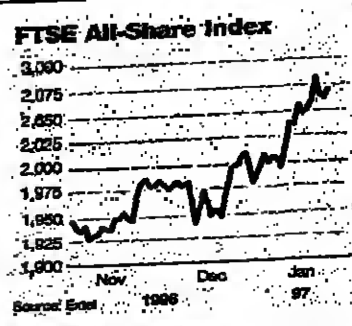
Mr Richard Jeffrey, group economist at Charterhouse Bank, said the employment cost index numbers would not preclude a rise in US rates over the next few months, only delay such a move. He said London's equity market "wants to rally on any good news. It wants to set new highs".

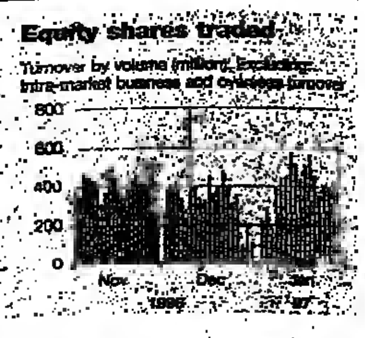
Yesterday's turnover, at the 6pm reading, was 875.2m shares, well up on Monday's 685m. Retail business on Monday fell to £748.3m, the lowest since the Christmas-New Year holiday.

Among the day's big winners was Marks & Spencer whose shares raced higher on hopes of good news from today's trading update on pre-Christmas sales.

The two biggest building materials stocks, RMC and Redland, featured prominently after broker recommendations, while the oil exploration stocks Enterprise Oil and British Borneo made further progress.

On the downside, there were profit warnings from Hogg Robinson and Kenwood.





Indices and ratios

FTSE 100	4237.4	+25.4
FTSE 250	4582.7	-10.4
FTSE 350	2099.2	+8.9
FTSE All-Share	2071.89	+8.18
FTSE All-Share yield	3.57	3.58
FT 30	2844.7	+5.2
FTSE Non-Fins p/e	18.74	18.67
FTSE 100 Fut Mar	4252.0	+37.0
10 yr Gilt yield	7.47	7.52
Long gilt/equity yld ratio	2.04	2.10

Best performing sectors
1 Tobacco ..... +2.4
2 Engineering: Vehicles ..... +1.9
3 Retailers: General ..... +1.2
4 Retailers: Food ..... +1.2
5 Oil: Integrated ..... +1.1

Worst performing sectors
1 Property ..... -1.3
2 Gas Distribution ..... -0.9
3 Insurance ..... -0.5
4 Water ..... -0.5
5 Distributors ..... -0.5

M & S up ahead of figures

By Lisa Wood, Peter John and Joel Kibazo

Marks & Spencer shares were among the top performing FTSE 100 stocks, racing up 16 to 493p. Dealers reacted to market whispers that sales over the Christmas period were likely to have risen in excess of 8 per cent, well ahead of most of its high street rivals.

"The market thinks there has been a leak," said one analyst who added that the City would be well pleased with such a figure.

And one of the leading UK securities houses was said to have been pushing the stock. Analysts suggested the turnaround was indicative of the confusion that has reigned within the sector following a raft of contradictory trading statements.

Marketmakers are thought to have been running short positions in retailers following the dramatic slide in J. Sainsbury shares earlier this week. A profits warning from the latter triggered substantial falls across all the big food supermarket groups.

Yesterday saw an unwinding of some of those short positions. Turnover in Marks & Spencer shares rose to a higher than usual 6.9m.

Two investment institutions took a £20m view on Hanson yesterday, boosting turnover to 67m shares, one of the heaviest on record. That represented almost 8 per cent of the overall volume in the market yesterday.

The business was conducted as an agency cross with the shares exchanged at an agreed level and the broker taking a fee rather than a turn on the share price. One stakeholder sold 22m at 91p a share.

It appeared to reflect the two prevailing views. First, that the shares are overvalued following a 14 per cent rise in the past month. Second, that after years of being battered the shares may warrant a re-rating as cyclical stocks come back into favour.

Although the block represented a very small slice of Hanson's overall equity it was unusually big for a single trade.

It was also surprising as most investors have been happy to reserve judgment on the shares ahead of the final demerger of Hanson's energy and building materials arms. This is expected to take place on February 24.

Meanwhile, Dresdner Kleinwort Benson took Hanson off its buy list following the recent strong outperformance. The shares dipped 2 to 92¼p.

"A dead cat bounce" is how one market specialist described yesterday's recovery in Anglo-US engineering group LucasVarity.

The shares jumped 14½, or 7 per cent, to 220p, the best performance in the FTSE 100 yesterday, although they are still one of the sharpest underperformers in the index this year.

A trading update and progress report on the group's restructuring carried out via a conference call yesterday managed to ease some of the recent fears on the dividend that have driven the stock lower.

However, the doubters remain and several pointed to a line in the statement saying "the company will seek the views of our major shareholders prior to any decision" as evidence that a dividend cut and share buy-back was still very much on the cards.

Analysts cut forecasts for Kenwood Appliances after a profits warning for the second half and the news of the departure of another chief executive. ABN Amro-Hoare Govett reduced its estimate for the year to March 1997 from £10m to £5.5m and from £10.8m to £8.5m for the following year. Kenwood fell 22 to 164p.

A profits warning also took its toll on Hogg Robinson, the business travel agency, which tumbled 84 to 207p. The company said that results for the full year to March would be below analysts' forecasts, largely due to the strength of sterling having a "marked" impact on its continental European trading activities.

Airtours softened 6 to 832½p on the news – a move criticised by one analyst who said the two operators were in very different segments of the market and that currency movements were not causing problems for Airtours.

Tate & Lyle fell 13 to 428½p after NatWest Securities became the latest house to downgrade its pre-tax profit forecast for the group which is renegotiating its annual high fructose corn syrup contracts with soft drink manufacturers in the US. NatWest was reported to have eased its estimates for the year to the end of September 1997 by £15m to £250m and for 1998 to £300m from £315m.

Capital Corp strengthened 32 to 198p after the company confirmed that it had recently received and rejected a bid approach which may or may not lead to an offer being made for the company.

Transport group Stagecoach Holdings tumbled 21¼ to 778p on news that UBS, the group's broker, plans to sell up to 35m shares in the company.

The shares are to come from former shareholders of Porterbrook, the rolling stock rental company, acquired by Stagecoach last year.

UBS plans to dispose of the stock tomorrow afternoon following an accelerated global tender in which it will match demand and supply for the shares.

In the rest of the sector, Railtrack Group ended the day as one of the worst performers in the FTSE 100 after BZW was said to have downgraded its recommendation on the stock from "buy" to "hold".

Dealers also considered a press report suggesting executives at Railtrack are lining up a takeover bid for the London Underground network if its track and signalling operations are privatised as a separate infrastructure company.

RMC Group strengthened 37 to 973½p after a shortage of stock, alleged to have been caused by a Cazenove buy recommendation.

Tarmac hardened a penny to 104½p with Goldman Sachs becoming increasingly positive about aggregates prices.

Mr Michael Betts, building analyst at Goldmans, said every 1 per cent rise in the price of aggregates, such as cement and concrete, added 3 per cent to Tarmac's profits. He expects aggregates prices to rise 7 per cent in the spring, stabilising at 5 per cent during the rest of the year.

Imperial Tobacco climbed 12½ to 397p after it announced the £185m acquisition of Rizla, the world's biggest maker of hand-rolling tobacco paper.

Zeneca dipped on early profit-taking following the pharmaceutical group's trading statement. However, the internationally-traded stock rallied to end 14 up at 1707½p as Wall Street rebounded.

FT 30 INDEX

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22	Yr ago	*High	*Low
FT 30	2844.7	2839.5	2843.1	2865.8	2842.5	2758.0	2885.2	2668.8
Ord. div. yield	4.07	4.07	4.07	4.09	4.09	3.81	4.22	3.76
P/E ratio net	17.48	17.46	17.48	17.42	17.42	17.00	17.49	15.80
P/E ratio nil	17.32	17.31	17.31	17.25	17.25	16.78	17.32	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2834.2	2827.4	2821.4	2821.5	2823.6	2825.1	2841.1	2840.1	2839.5	2845.1	2819.3

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22	Yr ago
SEAQ bargains	42,168	43,323	46,360	45,629	46,081	32,879
Equity turnover (£m)†	-	748.3	912.3	892.2	1140.1	2027.3
Equity bargains†	-	17,721	20,372	21,814	22,713	37,886
Shares traded (ml)†	-	260.8	812.9	434.5	390.0	830.0

†Excluding intra-market and Crest business and overseas turnover.

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22	Yr ago	*High	*Low
FTSE AIM	1100.7	1098.0	1095.4	1098.6	1089.7	1041.2	1140.4	965.7

 *For 1996/97.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	766	Total Highs	149	Total contracts	57,688
Total Falls	494	Total Lows	35	Calls	33,651
Same	1,254			Puts	24,037

Jan 28 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4210.0	4248.0	+33.0	4255.0	4184.0	17334	60842
Jun	-	4268.0	+33.0	-	-	0	4779
Sep	-	4295.0	+32.0	-	-	0	1396

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4614.0	-11.0	-	-	0	5761

FTSE 100 INDEX OPTION (LIFFE) (*4237) £10 per full index point

	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P
Feb	218½	10	173	16	131	23½	94	35½	62	53	35	79	17½	116½	7½	164
Mar	229½	31	187½	39	151	52	114½	66½	84½	89	58½	113	39½	143	24	179
Apr	242	47	204	58½	168½	73½	137	92	106½	111	82	136	59	162½	42	195½
May	268½	61½	228½	71½	193	85	158½	101	124½	118	98	142	72	166½	53	199
Jun†			242½	81½			179	116			124	158			89	216½

Calls 13,154 Puts 7,830

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P
Feb	195	13½	150½	18½	109	26½	74	41½	46	63½	26	93	12	129	5	171½
Mar	206	34½	166½	44½	129½	57	98	75	72	99	50	128½	32½	158	20	185½
Apr	220½	49	183½	61	149	78	118	94½	90½	116½	67	142	48	172	32½	208
Jun			230	90			166½	124½			114	170			73½	227
Sept†			283	119½			219½	152			164	193			118½	242

Calls 11,813 Puts 10,178 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§166	F.P.	38.0	174½	170½	Aquarius	174½		W6.85	2.0	4.9	12.7
§	P.P.	26.5	57½	48½	BZW Endwmt Fnd	56		-	-	-	-
100	F.P.	12.6	93½	89½	Enterprise Vn Cp	89½		-	-	-	-
	F.P.	14.2	55	56	†Epicore Nwork	55		-	-	-	-
§100	F.P.	21.7	298	209½	†GB Railways	248½	+½	-	-	-	-
§145	F.P.	12.5	175	150	†Hardy Underwrtg	170		-	-	-	-
§	F.P.	5.19	3¼	3¼	†John Lewis	3¼		-	-	-	20.1
*	F.P.	8.46	62½	45½	†Netcall	60½	+½	-	-	-	-
	F.P.	34.7	72½	42½	†Oxford Biomedica	54½		-	-	-	-
§65	F.P.	15.9	80½	65½	Parkwood	74½		R1.82	1.3	3.1	25.0
§68.5	F.P.	12.8	70½	52½	†Pilat Tech Intl	57½		b-	-	-	16.1
§60	F.P.	46.4	111½	92	Sheffield United	93½	-3½	-	-	-	-
§585	F.P.	80.1	757½	692½	Sunderland	737½		R4.6	7.0	0.8	17.6
*	F.P.	13.3	135	125	†Sutton Harbour	133½xd		Z1.2	1.8	1.1	18.6

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 27	% chg on day	Jan 24	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index†(33)	1737.97	+1.7	1709.05	2306.97	1.98	-	2528.73	1674.61
Regional Indices								
Africa (14)	1967.22	+1.0	1947.12	3222.22	4.46	40.85	3553.86	1918.45
Australasia (7)	1970.94	+0.2	1974.60	2674.68	2.57	21.32	2927.34	1970.94
North America (12)	1650.23	+2.3	1612.67	1990.81	0.79	81.38	2186.39	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition. Market closed 27/1/97: Australia.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jan 28	Day's chge%	Jan 27	Jan 24	Jan 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4237.4	+0.6	4212.0	4218.8	4271.5	3735.3	3.68	2.05	18.58	4.31	1774.55
FTSE 250	4582.7	+0.2	4593.1	4598.0	4616.0	4095.7	3.40	1.50	24.53	4.94	1880.46
FTSE 250 ex IT	4629.1	+0.3	4644.0	4647.8	4664.4	4098.8	3.48	1.52	23.58	4.89	1904.04
FTSE 350	2099.2	+0.4	2090.3	2093.4	2115.8	1855.8	3.62	1.94	17.79	2.16	1796.15
FTSE 350 Higher Yield	2011.9	+0.2	2007.1	2014.8	2038.4	1860.1	4.74	1.83	14.43	2.56	1452.74
FTSE 350 Lower Yield	2194.3	+0.5	2180.8	2179.0	2199.9	1858.1	2.50	2.16	23.22	1.72	1542.64
FTSE SmallCap	2292.36	----	2291.89	2292.42	2294.82	2015.12	2.96	1.65	25.68	2.75	1817.59
FTSE SmallCap ex IT	2301.76	-0.1	2304.01	2303.53	2303.60	1988.12	3.12	1.72	23.28	2.86	1939.66
FTSE All-Share	2071.88	+0.4	2063.71	2066.62	2087.11	1830.62	3.57	1.92	18.23	2.16	1799.65

FTSE Actuaries Industry Sectors

	Jan 28	Day's chge%	Jan 27	Jan 24	Jan 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4114.59	+1.0	4074.10	4074.57	4140.64	3210.89	3.46	1.72	21.03	0.00	1803.53
12 Extractive Industries(5)	3978.71	+0.5	3959.34	3956.46	3998.66	4107.90	4.07	2.67	11.52	0.00	1185.85
15 Oil, Integrated(3)	4258.93	+1.1	4213.01	4216.78	4293.69	3259.82	3.62	1.55	22.24	0.00	1918.17
18 Oil Exploration & Prod(13)	3510.98	+0.8	3482.65	3451.26	3486.76	2124.71	1.46	1.90	44.54	0.00	2128.82
20 GEN INDUSTRIALS(273)	2034.68	+0.1	2032.31	2034.10	2040.84	2027.26	3.88	1.82	17.69	1.34	1139.19
21 Building & Construction(35)	1329.86	+0.1	1328.26	1308.17	1299.92	1053.55	3.09	1.61	25.14	0.44	1135.95
22 Building Matls & Merchs(31)	1889.11	+0.7	1876.37	1883.00	1890.86	1827.89	4.13	1.39	21.83	0.44	876.54
23 Chemicals(26)	2329.34	+0.3	2335.34	2321.80	2336.22	2428.00	4.43	1.44	19.55	0.56	1131.01
24 Diversified Industrials(17)	1513.34	-0.2	1516.55	1522.56	1526.50	1852.31	4.86	2.27	11.33	4.02	877.71
25 Electronic & Elect Equip(39)	2340.15	+0.2	2344.92	2359.86	2373.35	2264.94	3.34	1.32	28.33	0.18	1242.94
26 Engineering(71)	2608.85	-0.1	2611.60	2608.43	2612.64	2244.18	3.14	2.33	17.09	1.25	1615.04
27 Engineering, Vehicles(13)	2986.68	+1.9	2930.15	2965.08	2951.01	2603.66	3.81	1.71	20.24	0.00	1577.49
28 Paper, Pckg & Printing(27)	2521.30	+0.2	2515.91	2514.41	2540.18	2631.27	4.12	1.78	15.92	0.00	1075.49
29 Textiles & Apparel(14)	1082.80	+0.9	1076.48	1080.57	1091.91	1497.32	6.49	1.28	15.07	0.00	684.99
30 CONSUMER GOODS(86)	3846.69	+0.4	3833.11	3825.06	3867.31	3683.17	3.76	1.85	17.94	7.99	1457.77
32 Alcoholic Beverages(7)	2673.73	+0.1	2671.38	2678.34	2689.45	2831.14	4.83	1.87	13.85	30.14	1001.11
33 Food Producers(25)	2665.71	+0.7	2647.94	2646.40	2672.79	2624.06	4.11	1.76	17.33	5.00	1235.97
34 Household Goods(17)	2659.33	+0.2	2653.49	2642.45	2642.63	2652.86	3.78	2.23	14.83	1.06	1073.71
36 Health Care(17)	2096.27	+0.2	2100.05	2101.80	2107.65	1920.59	2.81	1.94	22.92	3.40	1297.18
37 Pharmaceuticals(18)	5973.00	+0.1	5977.65	5923.09	6007.81	5235.01	2.84	1.73	25.50	0.00	2063.93
38 Tobacco(2)	4144.39	+2.4	4047.73	4136.81	4188.00	4900.40	6.26	2.13	9.39	0.00	1067.25
40 SERVICES(273)	2647.62	+0.5	2631.22	2638.20	2668.17	2292.35	2.84	2.00	22.00	4.48	1406.45
41 Distributors(30)	2965.66	+0.5	2979.22	2982.10	2992.81	2619.91	2.86	2.01	21.67	0.00	1114.95
42 Leisure & Hotels(31)	3393.26	+0.9	3364.84	3347.47	3348.18	2781.21	2.57	2.05	23.69	18.16	1856.19
43 Media(44)	4272.02	+0.8	4247.76	4256.84	4309.90	3661.18	2.16	2.13	27.12	3.38	1566.06
44 Retailers, Food(15)	2056.51	+1.2	2033.05	2073.44	2187.49	1976.43	3.85	2.31	14.07	0.07	1339.15
45 Retailers, General(53)	2051.81	+1.2	2027.94	2035.45	2049.79	1933.12	3.17	2.01	19.59	3.17	1200.42
47 Breweries, Pubs & Rest.(22)	3388.40	+0.3	3376.87	3384.76	3395.06	2919.46	3.20	2.10	18.56	13.49	1669.71
48 Support Services(56)	2900.44	+0.4	2887.96	2873.65	2882.07	1938.86	1.73	2.44	29.71	0.37	1872.68
49 Transport(22)	2754.18	-0.2	2758.78	2759.11	2768.02	2338.01	3.48	1.23	29.19	8.35	1179.93
60 UTILITIES(30)	2667.73	+0.1	2669.74	2678.84	2705.11	2360.81	5.04	1.70	14.81	3.13	1211.41
62 Electricity(10)	2906.65	-0.4	2918.68	2958.78	2980.81	2692.96	5.96	2.15	9.76	13.53	1600.95
64 Gas Distribution(1)	1503.96	+0.8	1517.42	1503.96	1524.15	1598.37	8.11	0.54	28.62	0.00	822.93
66 Telecommunications(6)	2239.49	+0.3	2231.77	2234.93	2258.26	1833.48	3.73	1.54	21.81	0.00	1057.23
68 Water(11)	2452.54	+0.5	2463.99	2463.54	2488.12	2081.26	9.07	2.32	6.66	0.00	1418.47
69 NON-FINANCIALS(683)	2131.36	+0.4	2122.82	2124.84	2146.10	1930.79	3.63	1.84	18.74	2.70	1663.50
70 FINANCIALS(107)	3754.49	+0.3	3743.77	3763.24	3790.50	2936.85	3.54	2.35	15.01	0.63	1657.51
71 Banks, Retail(8)	5482.12	+0.7	5444.19	5445.89	5525.86	4197.10	3.32	2.87	14.06	0.00	1835.04
73 Insurance(19)	1681.94	-0.5	1690.85	1712.04	1718.87	1425.83	4.97	2.30	10.95	0.66	1304.06
74 Life Assurance(7)	4362.39	+0.2	4354.97	4347.97	4366.21	3453.94	3.56	1.79	19.67	0.00	1854.73
77 Other Financial(29)	3066.52	+0.3	3057.32	3063.14	3083.90	2422.06	3.30	2.04	18.53	0.22	1792.70
79 Property(44)	1815.39	-1.3	1838.82	1857.57	1859.37	1445.62	3.50	1.33	26.78	2.05	1148.69
80 INVESTMENT TRUSTS(127)	3258.75	+0.7	3238.52	3246.35	3271.89	3131.62	2.18	1.13	50.75	3.64	1155.60
89 FTSE All-Share(917)	2071.88	+0.4	2063.71	2066.62	2087.11	1830.62	3.57	1.92	18.23	2.16	1799.65
FTSE Fledgling	1288.44	----	1288.13	1288.63	1291.31	1137.43	3.00	0.45	80.00†	1.86	1372.86
FTSE Fledgling ex IT	1308.54	-0.1	1309.28	1309.39	1312.20	1134.04	3.28	0.35	80.00†	1.95	1398.50

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4206.4	4200.0	4195.2	4198.4	4201.2	4202.4	4233.1	4233.3	4236.8	4238.3	4181.3
FTSE 250	4587.7	4583.8	4577.0	4574.8	4574.7	4573.1	4576.6	4579.9	4581.7	4587.7	4572.6
FTSE 350	2087.6	2084.7	2082.2	2082.4	2084.3	2084.8	2096.8	2097.4	2098.9	2099.2	2080.5

Time of FTSE 100 Day's high: 2:41 PM Day's low: 10:13 AM. FTSE 100 1996/97 High: 4271.5 (23/01/97) Low: 3632.3 (16/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1283.6	1283.3	1279.8	1278.9	1281.7	1282.9	1286.0	1289.5	1288.9	1288.0	1284.8	+3.2
Pharmaceuticls	5877.0	5889.2	5876.0	5869.0	5869.3	5870.4	5902.0	5908.8	5891.7	5897.1	5902.9	-5.8
Water	2455.5	2451.8	2441.3	2444.1	2443.3	2441.0	2441.2	2440.8	2443.8	2444.7	2456.5	-11.8
Banks, Retail	5500.8	5486.8	5462.5	5456.2	5457.7	5468.1	5533.9	5538.8	5554.8	5552.1	5513.7	+38.4

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	646	522	+2
ASDA Group†	14,500	122½	+3¼
Abbey National†	5,200	743½	-8½
Albert Fisher	4,500	41¾	-¾
Allied Domecq†	1,000	415	-3
Anglian Water	811	611½	-7½
Argos†	1,600	637½	-3
Arjo Wiggins	2,300	172½	+1
Assoc. Brit. Foods†	1,300	483½	+4½
Assoc. Brit. Ports	850	294½	+3½
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds†	[illegible]	[illegible]	[illegible]
BBA	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Biotech	[illegible]	[illegible]	[illegible]
British Energy	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton†	[illegible]	[illegible]	[illegible]
Cable & Wire†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Chubb	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons†	[illegible]	[illegible]	[illegible]
EMI†	[illegible]	[illegible]	[illegible]
East Midland Elec.	[illegible]	[illegible]	[illegible]
Electrocomponents	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo Wellcome†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
Greenalls	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hays†	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
Hyder	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Imperial Tobacco†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Kwik Save	[illegible]	[illegible]	[illegible]
Ladbroke†	[illegible]	[illegible]	[illegible]
Land Securities†	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General†	[illegible]	[illegible]	[illegible]
Lloyds TSB†	[illegible]	[illegible]	[illegible]
LASMO†	[illegible]	[illegible]	[illegible]
London Elec.	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
LucasVarity†	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Marks & Spencer†	[illegible]	[illegible]	[illegible]
Mercury Asset Mgmt†	[illegible]	[illegible]	[illegible]
Morrison (Wm)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank†	[illegible]	[illegible]	[illegible]
National Grid†	[illegible]	[illegible]	[illegible]
National Power†	[illegible]	[illegible]	[illegible]
Next†	[illegible]	[illegible]	[illegible]
Northern Elec.	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Orange†	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Premier Farnell	[illegible]	[illegible]	[illegible]
Provident Financial	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
RTZ†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Railtrack†	[illegible]	[illegible]	[illegible]
Rank Group†	[illegible]	[illegible]	[illegible]
Reckitt & Colman†	[illegible]	[illegible]	[illegible]
Redland†	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil Initial†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Royal & Sun All.†	[illegible]	[illegible]	[illegible]
Royal Bk Scotland†	[illegible]	[illegible]	[illegible]
Safeway†	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders†	[illegible]	[illegible]	[illegible]
Scottish & Newcastle†	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elec.	[illegible]	[illegible]	[illegible]
Scottish Power†	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Severn Trent†	[illegible]	[illegible]	[illegible]
Shell Transport†	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Ests	[illegible]	[illegible]	[illegible]
Smith (W.H.)†	[illegible]	[illegible]	[illegible]
Smith & Nephew†	[illegible]	[illegible]	[illegible]
SmKl Beecham†	[illegible]	[illegible]	[illegible]
Smiths Inds†	[illegible]	[illegible]	[illegible]
Southern Elec.†	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Standard Chartered†	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
Taylor Woodrow	[illegible]	[illegible]	[illegible]
TeleWest Comms	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water†	[illegible]	[illegible]	[illegible]
Thorn	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever†	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media	[illegible]	[illegible]	[illegible]
United Utilities	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread†	[illegible]	[illegible]	[illegible]
Williams Hldgs†	[illegible]	[illegible]	[illegible]
Willis Corroon	[illegible]	[illegible]	[illegible]
Wimpey	[illegible]	[illegible]	[illegible]
Wolseley†	[illegible]	[illegible]	[illegible]
Yorkshire Elec.	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. [illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 28 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Jan 28 / Frs.) [illegible]

CZECH REP (Jan 28 / Koruna) [illegible]

DENMARK (Jan 28 / Kr) [illegible]

FINLAND (Jan 28 / Mkk) [illegible]

FRANCE (Jan 28 / Frs.) [illegible]

GERMANY (Jan 28 / Dm.) [illegible]

GREECE (Jan 28 / Drachma) [illegible]

ITALY (Jan 28 / Lire) [illegible]

NETHERLANDS (Jan 28 / Fls.) [illegible]

NORWAY (Jan 28 / Kroner) [illegible]

POLAND (Jan 28 / Zloty) [illegible]

PORTUGAL (Jan 28 / Escudo) [illegible]

SPAIN (Jan 28 / Pta.) [illegible]

SWEDEN (Jan 28 / Kronor) [illegible]

SWITZERLAND (Jan 28 / Frs.) [illegible]

TURKEY (Jan 28 / TL Lira) [illegible]

PACIFIC

JAPAN (Jan 28 / Yen) [illegible]

HONG KONG (Jan 28 / H.K.$) [illegible]

INDONESIA (Jan 28 / Rupiah) [illegible]

MALAYSIA (Jan 28 / MYR) [illegible]

NEW ZEALAND (Jan 28 / NZ $) [illegible]

SINGAPORE (Jan 28 / S$) [illegible]

AUSTRALIA (Jan 28 / Aus$) [illegible]

SOUTH KOREA (Jan 28 / Won) [illegible]

TAIWAN (Jan 28 / TW $) [illegible]

THAILAND (Jan 28 / Baht) [illegible]

AFRICA

SOUTH AFRICA (Jan 28 / Rand) [illegible]

NORTH AMERICA

CANADA

TORONTO (Jan 28 / Can $) 4 pm close [illegible]

MONTREAL (Jan 28 / Can $) 4 pm close [illegible]

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jan 28	Jan 27	Jan 24	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	(c)	18896.56	19119.95	19971.80	15/1/97	15287.20	23/8/96
Australia							
All Ordinaries(1/1/80)	2404.2	(c)	2423.0	2444.20	20/1/97	2086.10	17/7/96
All Mining(1/1/80)	948.0	(c)	952.4	1118.40	8/5/96	888.80	13/12/96
Austria							
Credit Aktien(30/12/84)	394.88	395.55	398.26	398.37	23/1/97	348.18	6/9/96
Traded Index(2/1/91)	1172.94	1175.21	1178.96	1188.85	23/1/97	975.27	2/1/96
Belgium							
BEL20(1/1/91)	2050.44	2043.99	2060.61	2075.08	23/1/97	1574.86	2/1/96
Brazil							
Bovespa(29/12/83)	(c)	77591.0	77598.0	79049.88	21/1/97	40901.08	2/1/96
Canada							
Metals Minls(1975)	(c)	5431.01	5430.34	5934.60	8/5/96	4687.47	16/1/96
Composite(1975)	(c)	6040.80	6033.60	6138.80	17/1/97	4738.70	15/1/96
Portfolio§§(4/1/83)	(c)	2977.94	2971.75	3049.11	17/1/97	2327.38	12/1/96
Chile							
IPSA Gen(31/12/80)	(c)	5130.28	5186.25	5804.32	8/1/96	4868.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	505.24	503.87	503.17	507.89	16/1/97	368.40	2/1/96
Finland							
HEX General(28/12/90)	2735.99	2707.23	2736.12	2788.95	23/1/97	1881.87	10/1/96
France							
SBF 250(31/12/90)	1676.99	1662.22	1646.85	1676.99	28/1/97	1258.16	2/1/96
CAC 40(31/12/87)	2482.76	2435.17	2430.34	2482.76	28/1/97	1897.85	11/1/96
Germany							
FAZ Aktien(31/12/58)	1037.75	1039.43	1042.30	1048.85	22/1/97	818.88	2/1/96
Commerzbank(1/12/53)	3008.3	3008.20†	3017.60	3042.58	22/1/97	2370.10	2/1/96
DAX‡(30/12/87)	2989.33	2994.53	2998.24	3033.46	23/1/97	2284.86	2/1/96
Greece							
Athens SE(31/12/80)	1149.20	1125.13	1092.31	1149.28	28/1/97	872.89	7/8/96
Hong Kong							
Hang Seng(31/7/64)	13403.29	13294.90	13379.55	13868.20	20/1/97	10204.80	2/1/96
India							
BSE Sens.(1979)	3804.20	3562.74	3435.82	4069.28	18/6/96	2745.06	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	689.97	684.98	678.89	689.97	28/1/97	512.48	2/1/96
Ireland							
ISEQ Overall(4/1/88)	2840.83	2826.40	2834.15	2878.75	22/1/97	2234.81	2/1/96
Italy							
Banca Comm Ital(1972)	774.72	779.90	783.59	790.45	23/1/97	572.21	27/3/96
MIB General(2/1/97)	1162.0	1170.0	1176.00	1186.00	23/1/97	991.00	2/1/97
Japan							
Nikkei 225(16/5/49)	17796.57	17234.90	17688.35	22666.80	26/6/96	17303.79	10/1/97
Nikkei 300(1/10/82)	255.06	251.04	256.22	319.70	26/6/96	251.04	27/1/97
Topix(4/1/68)	1345.88	1326.80	1353.48	1722.13	26/6/96	1326.80	27/1/97
2nd Section(4/1/68)	1719.12	1726.20	1732.86	2251.48	2/7/96	1719.12	28/1/97
Malaysia							
KLSE Comp.(4/4/86)	1228.89	1239.35	1244.13	1244.13	24/1/97	988.18	2/1/96
Mexico							
IPC(Nov 1978)	(c)	3695.17	3680.56	3739.59	20/1/97	2736.38	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	791.2	788.5	784.5	793.50	23/1/97	538.50	2/1/96
CBS All Shr(End 83)	464.4	462.8	460.5	465.78	23/1/97	326.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2378.47	2393.25	2400.27	2440.21	28/1/97	2025.14	7/6/96
Norway							
Oslo SE(Ind)(2/1/83)	1821.48	1807.35	1817.06	1822.22	23/1/97	1258.68	30/1/96
Philippines							
Manila Comp(2/1/85)	3341.59	3323.10	3332.53	3374.40	6/7/96	2578.97	2/1/96
Portugal							
BVL 30(4/1/93)	2446.70	2442.43	2437.38	2445.70	28/1/97	1802.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	548.98	546.81	550.10	610.37	5/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1429.4♥	1375.3	1370.4	2080.40	29/5/96	1346.40	2/1/96
JSE Ind.(28/9/78)	8089.0♥	8043.9	8042.8	8739.30	25/1/96	7588.90	17/12/96
South Korea							
KoreaCompEx**(4/1/80)	692.86	664.70	679.58	986.84	7/5/96	641.05	7/1/97
Spain							
Madrid SE(30/12/85)	456.47	458.20	464.16	479.68	21/1/97	323.75	11/1/96
Sweden							
AffarsvrldnGen(1/2/37)	2565.0	2538.7	2548.10	2587.40	23/1/97	1708.80	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	2029.51	2001.82	1998.41	2029.51	28/1/97	1518.19	17/1/96
SBC General(1/4/87)	1407.35	1390.81	1387.39	1407.35	28/1/97	1114.47	26/1/96
Taiwan							
Weighted Pr.**(30/6/66)	7146.21	7158.96	7248.01	7290.77	22/1/97	4690.22	6/2/96
Thailand							
Bangkok SET(30/4/75)	842.83	840.42	848.56	1415.84	6/2/96	787.47	3/1/97
Turkey							
IMKB Nat 100(1986)	1551.0	1700.0	1503.00	1700.00	27/1/97	383.00	2/1/96
WORLD							
MS Capital Intl(1/1/70)	816.2*	812.6	819.9	837.20	25/11/96	725.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2042.48	2037.64	2038.11	2052.89	23/1/97	1504.40	11/1/96
Euro Top-100(26/6/90)	1734.01	1720.97	1722.70	1743.86	23/1/97	1333.01	11/1/96
HSBC JC Drgn(31/12/88)	(u)	418.32	421.84	429.48	20/1/97	344.19	2/1/96
MS Emrgs Eurp(7/1/92)	(u)	170.04	170.87	170.93	20/1/97	147.35	2/1/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Jan	2433.0	2484.5	+48.5	2486.0	2432.0	28,619	21,632
Feb	2439.0	2489.0	+48.0	2490.0	2437.0	9,567	10,801
DAX							
Mar	2985.0	3043.0	+38.0	3050.0	2984.0	32,114	-
Jun	3010.0	3056.5	+38.0	3061.0	3010.0	6,749	-
OMX							
Feb	1985.00	2011.50	+24.50	2015.00	1984.75	3,105	26,285
Mar	1991.50	1989.25	-5.25	1993.50	1989.25	27	2,162
SOFFEX							
Feb	4141.0	4183.0	+52.0	4186.0	4133.0	4,431	21,315
Mar	-	4188.4	+51.9	-	-	3	742

** Sat Jan 25: Taiwan Weighted Price 7212.28; Korea Comp Ex 685.11. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Standard & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 28 - 3028.27 +35.72 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jan 27	Jan 24	Jan 23	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6660.69	6696.48	6755.75	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.26	103.31	103.35	106.09 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2313.62	2332.73	2348.75	2365.23 (22/1/97)	1882.71 (18/1/96)	2365.23 (22/1/97)	13.23 (8/7/32)
Utilities	235.81	237.63	240.43	240.86 (22/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6748.82 (6798.08) Low 6596.73 (6629.91) (Theoretical♦)
Day's high 6708.80 (6756.98) Low 6635.68 (6682.23) (Actual♦)

Standard and Poors	Jan 27	Jan 24	Jan 23	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	765.02	770.52	777.56	786.23 (22/1/97)	598.48 (10/1/96)	786.23 (22/1/97)	4.40 (1/6/32)
Industrials♥	898.16	904.61	912.27	922.76 (22/1/97)	702.07 (15/1/96)	922.76 (22/1/97)	3.52 (30/6/32)
Financial	85.05	85.88	86.75	87.73 (22/1/97)	58.87 (10/1/96)	87.73 (22/1/97)	7.13 (4/9/74)
NYSE Comp.	402.78	405.51	409.15	412.80 (22/1/97)	321.41 (10/1/96)	412.80 (22/1/97)	4.64 (23/4/42)
Amex Comp.	586.16	586.16	583.69	617.61 (22/5/96)	524.20 (16/7/96)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1352.81	1363.83	1378.38	1398.06 (22/1/97)	988.57 (15/1/96)	1398.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Jan 24	Jan 17	Jan 10	Year ago
Dow Jones Ind. Div. Yield	1.99	1.95	1.98	2.24
	Jan 22	Jan 15	Jan 8	Year ago
S & P Ind. Div. yield	1.74	1.78	1.83	1.95
S & P Ind. P/E ratio	24.40	23.84	23.26	18.98

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tech	9,432,600	33⅞	+⅞
PepsiCo	8,441,500	34¼	+⅝
AT & T	7,924,500	38⅛	+⅜
IBM	5,916,900	145¼	-5¼
Gen. Motors	5,582,800	61⅞	-⅜
WalMart	4,153,100	22⅝	-⅛
Gen Elec	4,141,300	100⅝	-1½
Ford Motor	3,855,000	33⅛	-½
Nat Semi	3,433,200	26¼	+1⅝
Fannie Mae	3,355,300	37	-⅞

■ TRADING ACTIVITY

● Volume (million)	Jan 27	Jan 24	Jan 23
New York SE	445.537	546.935	688.569
Amex	18.667	21.099	26.670
NASDAQ	552.943	739.147	812.439
NYSE			
Issues Traded	3,306	3,313	3,330
Rises	840	837	1,131
Falls	1,659	1,711	1,412
Unchanged	807	765	787
New Highs	63	82	292
New Lows	23	29	22

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	768.55	777.85	+8.70	778.90	767.85	72,344	192,170
Jun	-	776.15	-	-	775.20	583	9,478

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	17240.0	17790.0	+410.0	17820.0	17210.0	26,893	212,602
Jun	17330.0	17720.0	+390.0	17720.0	17270.0	285	34,313

Open Interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, January 28, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	13.5m	1220	+30	Sumitomo Bank	5.6m	1270	-10
Fuji Bank	8.4m	1190	+10	Bk Tk-Mitsubishi	5.0m	1700	-10
NEC Corp	6.8m	1420	+40	Hitachi	4.8m	1060	+40
Nippon Steel Cp	6.4m	292	+5	Daiichi Kangyo B	4.7m	1200	+10
Sakura Bank	5.9m	664	+5	NKK Corp	4.1m	231	+8

NEW YORK STOCK EXCHANGE PRICES

4 pm close January 28

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	26¼	AAR	0.48	1.8	27	1778	28⅝	[illegible]	28⅛	-⅛
46⅛	33	AMP	1.04	2.6	30	8281	40¼	39½	39⅝	-⅛
[illegible]	[illegible]	AMR			18	6208	89	82⅜	82⅜	-1⅝
[illegible]	[illegible]	ASA	1.20	3.5	22	501	34¾	34⅛	34½	-⅝
[illegible]	[illegible]	AbbtL x	0.96	1.8	32	8378	54¾	53⅝	53½	-⅜
17⅜	12¼	AbAbi Pr	0.40	2.6	8	949	16	15⅝	15⅝	
20¼	13½	ABM Ind x	0.40	2.1	18	100	19⅛	18⅞	19⅛	+⅛
22⅛	13⅞	Acpincole			9	141	20	19¾	19¾	
31¼	37¾	ACE Ltd	0.72	1.2	9	2343	38	57¼	57⅝	
10½	9⅛	ACM Gvt In	0.80	0.6	11	244	18¾	18⅝	19⅛	-⅛
7⅝	6⅝	ACM GvOpp	0.36	3.1		00	7⅝	7	7¼	+⅛
9⅞	8⅝	ACM Man	0.40	5.1		184	9½	9⅜	9⅛	+⅛
15⅞	8⅝	Acme Elect				15	8½	8⅜	8¼	+⅛
51⅝	15⅞	Acme Mills				30	20	19⅝	20	
33⅛	37¼	Acordia	0.80	2.9	14	50	28⅛	28	28	
27⅛	12	Acxeon				1408	28½	25½	28⅛	-½
31⅜	17⅞	Adams Expr	0.65	2.7	1	150	20⅝	20½	20½	+⅜
35	19¼	AdvMic			32	9055	32⅜	31¼	31½	+¼
11⅜	8⅝	Advest Grp			8	50	11⅜	11¼	11¼	-⅛
28⅛	9⅜	Advo Inc			20	52	12⅝	12¼	12¼	-⅛
85⅛	41⅜	Aegon	1.10	1.8	19	34	64⅞	64½	64½	-⅝
6¾	3½	Aerflx				310	4½	4⅛	4⅜	+¼
50⅜	40⅜	AES Corp				20	40	40	59⅝	+2⅛
82½	57⅜	Aetna	0.80	1.1	42	7818	75⅞	74	74⅛	-⅝
44	28¼	Aflac	0.40	1.8	17	2471	41⅝	40⅞	41⅛	-⅛
22	17¾	AGL Res	1.08	5.2	15	318	21	20⅝	20⅝	
[illegible]										
16	18⅜	Barry(RG)			11	116	16⅝	18⅜	10⅝	+⅜
11⅝	6¼	BatlMt	0.05	0.7		4552	7⅛	7	7	-¼
44½	32½	Bausch	1.04	3.2	26	2744	33⅝	37¼	33	+⅞
46¾	33	Baxter	1.13	2.7	20	3522	43⅜	42	42¼	-⅜
43⅜	18¾	BayNtwks				8637	23⅛	22¼	22½	
30⅝	25⅝	Bay St Gas	1.54	5.1		150	27⅜	28¾	28⅞	-⅛
40⅞	15¾	BBN				1016	25	24⅛	24⅝	+⅛
22¾	19⅜	Bd Tr 1838	1.56	1.8		3	19⅞	19⅞	19⅞	+⅛
6⅞	7¼	BEA Inc	0.72	0.3		3254	7¾	7⅝	7¾	
9⅛	8½	BeaStra	0.31	6.6		48	9¼	9¼	9¼	
32⅛	17¼	Bear Stns	0.58	2.8	[illegible]	2333	31	30⅛	30¼	-⅛
44⅞	41	BearStPIA	2.53	6.1		2	44	44	44	

[illegible]

Continued on next page

4 pm close January 28

NYSE PRICES

Continued from previous page

1996/97 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
57	43⅞	York Int	0.36	0.7		1434	53⅛	52¼	52¾	-¾
4⅞	3	Zapata				26	4⅝	4¼	4⅜	+⅛
25¾	5⅞	Zenith				1803	11⅛	11¼	11¾	-⅛
28⅞	21⅛	Zurich Nat	1.00	3.8	15	60	25¾	25⅞	26⅜	+⅛
7⅞	6½	Zweig Inc x	0.73	10.1		120	7⅞	7¼	7¼	+⅛
22⅞	15⅛	Zero	0.12	8.8	17	207	22¼	21⅝	21¾	-¼
29	19½	Zurn Ind	0.40	1.8	10	146	25	24	24½	-½
11⅞	10½	Zweig Fund	1.12	10.0		316	10⅞	10¾	11¼	
9	6	Zweig Tot	0.84	10.2		853	9⅛	8¾	9¼	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

† Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close January 28

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
ACC Corp		273	1628	35	32¾	32⅞	-1⅛
Acclaim E			4835	5½	4⅛	5⅜	+¾
Acxiom Cp		39	1616	17½	16¾	17	-¼
Adaptech		50	18752	43⅛	40½	41⅛	-⅞
ADC Tele		51	6605	37½	34⅝	35	-⅞
Addington		55	148	0	0	27⅛	
AdeccoADR	0.16	31	2	35½	35½	35½	+1¼
Adobe Sys x	0.20	37	16737	37⅝	35⅝	36½	+⅞
Adv Logic		11	1715	11½	11	11	-¼
Adv Polym			1338	6¼	7⅝	7⅞	+⅛
AdvTchLab			329	34⅝	33¼	33¼	-¾
Advanta S	0.53	11	5389	46⅛	45⅜	45⅞	+¼
Advanta A	0.44	12	3315	48⅜	47½	47⅞	+⅛
AirExpr	0.24	17	650	30¾	30¼	30⅜	+⅛
Akzo ADR	1.72	13	253	65⅞	65⅜	66⅞	
AlaBld	0.88	16	393	26	25¾	25⅞	-⅛
AlaCom	0.64	20	300	16¾	16¼	16¾	-½
Allen Org	0.52	13	2100	38½	38½	38½	
Allen Ph			2143	13¼	12¾	13⅛	+⅛
AlldCapA x	1.84	10	96	20¼	19½	20	+½

AMEX PRICES

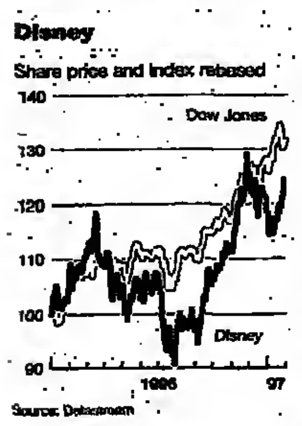
4 pm close January 28

Data on job costs boost bonds, Dow

AMERICAS

US share prices leapt as data on fourth quarter employment costs soothed fears that the Federal Reserve would raise interest rates, *writes Lisa Bransten in New York.*

Blue chip shares in the Dow Jones Industrial Average rose more than 100 points in the first half hour of trading before settling back with a gain of 83.90 by 1 pm. The Standard & Poor's 500 added 10.26 to 775.28. The relief rally helped both indices recapture about half of the losses made since the middle of last week. Volume on the NYSE came to 302m shares.



Technology shares also jumped with the Nasdaq composite, weighted toward that sector, climbing 16.13 at 1,368.79 and the Pacific Stock Exchange technology index surging 2.2 per cent.

Many economists had feared that the employment cost index (ECI) might have risen as much as 1 per cent in the fourth quarter of last year. This, they speculated, could have prompted the Fed to raise interest rates. Early yesterday morning, the Labor department reported a 0.8 per cent increase in the ECI, sparking an immediate rally in the bond market which sent the yield on the benchmark 30-year Treasury back below 6.9 per cent.

Also supportive of the Dow were a number of reports of stronger-than-expected results from components of that index. These included Disney, up $1⅛ at $89, Merck, $2¾ better at $87½ and Procter & Gamble $6 to the good at $113¾. General Motors, which is also a component of the Dow, slipped although it too reported earnings that were ahead of expectations. Shares in the car manufacturer lost $⅝ at $61¼.

Also in the Dow, IBM regained a large amount of ground lost recently on rumours that an analyst at Salomon Brothers had upgraded the company. Share in Big Blue advanced $7⅝ to $153.

Elsewhere ITT soared $14⅞ or 34 per cent to $57⅞ after Hilton made an unsolicited offer to acquire the hotel and gambling chain for $55 per share. Wall Street welcomed the move, sending shares of Hilton up $3¼ or 12 per cent to $28⅜. ITT said it would consider the offer and respond within 10 days.

TORONTO moved ahead strongly, helped by Wall Street's opening strength. At noon, the 300 composite index was up 28.74 at 6,069.50.

The bulk of the composite index's sub-groups gained ground during the morning session with utilities, up 1.7 per cent, leading the way. Pipeline stocks added 1.1 per cent.

Toronto-Dominion Bank put on 25 cents to C$37.00 and Royal Bank of Canada added 20 cents to C$50.05. Barrick Gold dipped 35 cents to C$36.55.

BA rebounds 2.5%

BUENOS AIRES rebounded 2.5 per cent at midsession, bringing to an end a four-session losing streak during which the market lost 4.4 per cent. The Merval index rose 16.2 to 672.71.

SAO PAULO picked up 1.3 per cent in quiet trading as the market awaited the first full lower house vote, later in the day, on a bill that would permit the re-election of the president to a second term. The Bovespa index rose 976 to 78,567.

● Salomon Brothers, the US investment bank, has revised its model portfolio for markets, sectors and stocks in Latin America, reducing exposures to Chile, Argentina, Mexico and Peru, while increasing positions in Colombia, Venezuela and Brazil.

Mr John Mullin, Latin American equity strategist, overweighted cyclicals in Mexico and Argentina, Brazil's state-owned sectors, Colombia and Venezuela. Chile's banks, electric utilities, and pulp/paper companies, and Peru's non-mining sectors were underweighted.

SANTIAGO recovered from Monday's setback, moving strongly forward with the IPSA index showing a midsession advance of 1.64 or 1.5 per cent to 108.01.

MEXICO CITY continued where it left off late on Monday when a last-minute rally pushed the IPC index ahead. At midsession the IPC index was up 14.89 at 3,700.06.

Bullion rally lifts S Africa

The early upturn on Wall Street and a rally for the bullion price sent shares in Johannesburg racing ahead.

At the close of business, the all-share index was up 47.0 to 8,736.0 with a firmer rand and a better day for the bond market aiding the upturn. Industrials ended 25.1 higher at 8,069.0 and golds, off the best of the day, were up 54.1 at 1,429.4.

South African Breweries gained R1.25 to R124, Sun International 10 cents to R285. Richemont added R2 to R65.

Among golds, Freegold gained R2.10 or 6.5 per cent to to R34.10 and Vaal Reefs jumped R16 to R322.

CAC 40 up 2% as Paris hits all-time high

EUROPE

Bourses blossomed after the US fourth quarter employment cost index boosted Treasuries and the Dow, moving from weakness in the morning to rises of a percentage point or more in the European afternoon.

PARIS saw the CAC 40 index climb 47.59 or nearly 2 per cent to a new all-time high of 2,482.76, helped by a strong bounce in Lyonnaise des Eaux, and in the Suez group following the revival of an old merger story.

Solid earnings late on Monday from Suez helped fuel the upturn, but the main impetus came from merger talk. Suez gained FFr16.10 or 6.9 per cent to FFr248 and Lyonnais put on FFr27 to FFr562 for a two-day advance of almost 12 per cent.

Takeover talk also resurfaced at Sanofi which jumped FFr19 to FFr565 after the drugs group said it was looking for "one or possibly two partners in order to double its size".

Sharp movements also stemmed from long-awaited changes to the CAC 40 index. The index newcomers – AGF, Valeo and Bic – all moved ahead, while Eurotunnel and Saint Louis, the relegation stocks, moved in the opposite direction.

AFG rose FFr8 to FFr173.80, Bic FFr12 to FFr891 and Valeo FFr11.40 to FFr363.50. Saint Louis shed FFr36.00 at FFr1,386 and Usinor, which at one time had high hopes of gaining entry to the CAC, came off 90 centimes to FFr75.85.

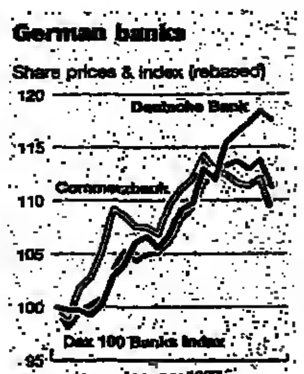
Moulinex added FFr11.20 or 8.5 per cent to FFr142.60 following sales data and an upbeat profit forecast. Rhône-Poulenc dropped FFr4.10 to FFr180.50 on profit-taking.

ZURICH turned its attention back to pharmaceuticals, and that, with the firmer dollar, carried the SMI index back into record territory, up 55.0 at 4,182.3.

Novartis led the way, jumping SFr24 to SFr1,612 in response to a better than expected 8 per cent rise in 1996 sales. Roche certificates gained SF230 to SF12,020 on the retelling of a number of rumours that have become increasingly familiar over the past 10 days.

UBS closed up SFr21 at SFr1,195, unable to breach the SFr1,200 threshold. Winterthur benefited from rumours that it would boost its 1996 dividend, adding SFr15 to SFr853.

Nestlé, helped by the firmer dollar, advanced SFr17 to SFr1,504; Swissair rose SFr34 to SFr1,267; while ABB added SFr29 to SFr1,756 on a big order from Bahrain.



MADRID reacted as Spanish bonds were swept higher in the wake of US treasuries. The interest rate-sensitive banks and electric utilities led the broad market higher with gains of 2.5 and 2.6 per cent respectively as the general index rose 8.27 or 1.8 per cent to 466.47.

FRANKFURT improved from a moderate loss to a gain of 1.2 per cent with the Dax index 35.72 higher at an Ibis-indicated 3,028.27. Turnover recovered from DM8.2bn to DM10.4bn.

Dealers attributed the turnaround partly to short covering by dealers, who had bet on less encouraging US data. However, there was also a sharp rise in the US dollar; and, on the debit side, company announcements and analytical criticism took another bite out of the banking sector.

The banking index, at the floor close, was off 1.9 per cent against an 0.2 per cent fall in the broad market at that time. Prior to that, the sector had risen by 14.8 per cent since January 2.

Commerzbank, which had seemed vulnerable recently, fell 82 pfg to DM42.87 on disappointment with its 22 per cent gain in 1996 net profits. Deutsche, an outperformer this year, eased 57 pfg to DM84.65 on an unchanged 1996 dividend.

MILAN reversed early losses but dealers described the mood as cautious. The Comit index fell 5.18 to 774.72 while the real-time Mibtel index picked up from a low of 12,220 to finish 101 higher at 12,480.

Olivetti, down 8.4 per cent on Monday, crashed another 7 per cent early in the day on worries over what surprises might emerge from today's 1996 results.

Analysts had predicted net losses of L900bn or more for 1996, reflecting a series of write downs and restructuring. By the close, investors had regained their composure and the loss had been narrowed to one of L5 at L651.9.

Among the telecoms, Stet rose L250 to L8,927 after the industry minister said that the government might hold a golden share until the company was fully privatised.

AMSTERDAM ended little changed with the AEX up 0.70 at 683.18 in slack volume after profit warnings from the chemicals sector.

DSM fell FL 4.30 or 2.4 per cent to FL 176.30 after spiralling raw material costs sparked a forecast of lower earnings for 1966.

IHC Caland estimated a drop of a third in profits for 1997 and came off FL 0.70 to FL 112.70. Akzo Nobel eased Fl 1.60 to FL 264.60.

STOCKHOLM featured Hennes & Mauritz again as the Affärsvärlden General index ended 28.3 higher at 2,565.0, falling just short of last week's all-time high.

The fashion retailer, one of last year's star performers, had subsided a little from mid-month, but it rebounded SKr75 to SKr1,115 yesterday ahead of results this week.

ATHENS put in another winning session, rising by 2.1 per cent as foreign demand continued unabated. The general index closed 24.07 higher at 1,149.20 in turnover that rose to Dr18.4bn. The rally continued to be led by banks, up 3 per cent, and construction stocks, 3.3 per cent higher.

ISTANBUL tumbled 8.6 per cent on very heavy profit-taking in what was described by brokers as a welcome correction after this month's rally.

The IMKB National-100 index lost 149 to 1,551, although turnover jumped to a fourth consecutive all-time high of TL71,850bn. The index had surged 74.2 per cent, setting 17 record closes, between January 2 and the close of business on Monday.

News that only two bids were received in the sell-off tender of the flat steelmaker, Eregli, fuelled selling pressure during the afternoon. Eregli lost TL3,250 at TL22,000.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Jan 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2033.50	2032.15	2032.53	2033.02	2032.43	2034.83	2040.94	2042.48
FTSE Eurotrack 200	2065.70	2064.43	2065.42	2065.41	2063.79	2072.54	2078.79	2078.89

	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21
FTSE Eurotrack 100	2037.84	2038.11	2052.99	2047.54	2017.21
FTSE Eurotrack 200	2070.13	2076.54	2083.05	2083.27	2053.11

Base value 1000 (26/10/90); High/day: 100 - 2042.23, 200 - 2079.01 Low/day: 100 - 2031.11 200 - 2032.89. † Partial.

Trust banks regain ground as Tokyo recovers

ASIA PACIFIC

Bargain hunting took **TOKYO** into a rebound after three straight days of decline on strong demand for international blue chips among foreign investors and domestic institutions. Trust banks regained ground on buybacks while leading commercial banks were mixed, *writes Gwen Robinson.*

The Nikkei 225 average recovered 461.67 or 2.7 per cent to close at the day's high of 17,796.57 after dropping in the morning to a low of 17,195.25.

Volume rose from 348m shares to an estimated 397m. Advances led declines by 797 to 314 with 128 unchanged. The Topix index of all first-section stocks added 19.28 at 1,345.88 and the capital-weighted Nikkei 300 4.02 at 255.06.

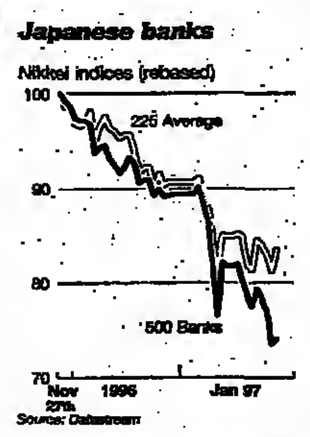
In London, the ISE/Nikkei 50 index rose 4.80 to 1,340.42.

Blue chips led the market up. Fujitsu, the day's most active issue, rose Y30 to Y1,220. Sony continued to benefit from last week's reports that it will enter the digital satellite broadcasting business in a venture with Mr Rupert Murdoch's News Corp, rising briefly to Y8,010 – the first time above the Y8,000 level since August 1990 – before ending Y160 higher at Y7,990.

Among high-tech issues, Advantest added Y140 to Y6,440 and Matsushita-Kotobuki Electric Industries rose Y90 to Y3,440.

Investors bought back trust banks after heavy selling in recent sessions. Mitsubishi Trust and Banking, which fell nearly 13 per cent the previous day on rumours that it had incurred massive losses on derivatives trading, rose Y20 to Y1,120. Sumitomo Trust and Banking gained Y26 to Y870.

Retail issues continued to suffer selling pressure on concerns that the forthcoming increase in sales tax from the current 3 per cent to 5 per cent will dampen consumer spending. Marui fell Y70 to Y1,590 and Jusco Y50 to Y3,200.



Kyotaru, the beleaguered takeout-sushi chain operator which has been on the TSE's liquidation post since January 20, when it filed for bankruptcy-law protection, traded at Y40, down Y470 from January 17 when the shares last changed hands, and Y10 below their face value.

Kyotaru was due to be delisted on April 20, but yesterday's purchases were believed to have come from investors who expect the company to list again after restructuring, analysts said.

In Osaka, the OSE average added 223.10 to 18,662.15 in volume of 71.9m shares.

JAKARTA touched an all-time intraday high of 691.49 on the composite index before closing 4.99 higher at 689.97.

Telkom, boosted by reports of capital spending plans, rose Rp75 to Rp4,200 on 5.6m shares traded. Sampoerna gained 2.1 per cent to Rp14,500.

Bakrie & Brothers was the day's most active stock, gaining Rp100 to Rp1,175 in 21.6m traded following reports that the group was to sell its stake in Freeport Indonesia, which operates one of the world's largest gold and copper mines.

HONG KONG rebounded after five straight losses on speculation that Citic Pacific might buy a stake in China Light and Power. The Hang Seng index rose 108.39 to 13,403.29 after a session high of 13,450.56 in turnover of HK$8.6bn.

Citic and China Light were suspended. One analyst said that a link would be positive for both companies, allowing Citic to continue its diversification while China Light would have a partner in China.

Asia Securities surged 90 cents to HK$2.65 on news that it was considering spinning off its China business. Giordano recouped 22.5 cents to HK$4.025 after falling nearly 25 per cent on Monday.

KUALA LUMPUR was dragged down by profit-taking and the composite index lost 10.46 to 1,228.89.

Tenaga fell 50 cents to M$12.40 on the government's go-ahead for a private power utility. Telekom, also down 50 cents at M$20.10, lost ground on worries about increased competition.

Maybank, a strong performer ahead of last Saturday's interim results, gave up 75 cents to M$28.25.

BOMBAY saw a late rally, inspired by hectic local demand for State Bank of India, which pulled the BSE-30 index 41.46 higher to 3604.2.

SBI shot up Rs18.25 or 6.2 per cent to Rs312.75 on market talk of a relaxation in the 20 per cent foreign buying limit in the stock.

TAIPEI ended lower for the third straight session, giving up early gains ahead of the Chinese new year, which starts on February 4 and ushers in a seven-day holiday. The weighted index dipped 10.75 to 7,146.21 in light turnover of T$50.4bn.

SYDNEY closed 0.8 per cent lower in cautious trading. The All Ordinaries index ended off 18.8 at 2,404.2.

NAB fell 7 cents to A$15.71 and Commonwealth Bank came off 13 cents to A$12.54. News Corp tumbled 14 cents to A$6.68. BHP shed 20 cents to A$17.87 and CRA came off 26 cents to A$19.02.

Simsmetal fell 29 cents to A$6.99 after the scrap metal group reported a 43 per cent shortfall in first half earnings.

WELLINGTON moved lower in sympathy with the downturn in Australia. The 40 capital index ended 14.78 or 0.6 per cent lower at 2,378.47.

NZ Telecom accounted for 10 points of the day's decline, sliding 12 cents to NZ$7.35 in turnover of NZ$8.62m.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JANUARY 27 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JANUARY 24 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (77)	215.26	-0.2	196.59	182.40	183.26	185.67	0.0	4.11	215.66	196.32	162.06	182.39	185.67	224.61	188.44	181.02
Austria (24)	183.44	-1.0	167.53	138.39	156.16	156.08	-0.4	1.83	185.36	168.73	139.29	156.76	156.65	195.04	174.70	184.31
Belgium (26)	230.06	-1.5	210.11	173.58	195.87	191.51	-0.9	3.37	233.47	212.53	175.44	197.46	193.22	233.47	203.64	208.09
Brazil (28)	206.63	-0.2	188.71	155.89	175.92	396.96	-0.2	1.53	207.08	188.51	155.61	175.14	397.83	211.61	147.48	155.50
Canada (114)	196.90	0.3	179.83	148.55	167.64	191.81	0.2	1.90	196.25	178.65	147.47	165.98	191.49	201.62	152.87	152.87
Denmark (32)	351.06	-0.3	320.61	264.85	298.88	298.17	0.2	1.47	352.21	320.62	264.67	297.88	297.49	366.15	291.30	298.46
Finland (28)	255.39	-1.2	233.24	192.67	217.43	260.02	-1.3	1.91	258.53	235.34	194.27	218.65	263.51	262.72	174.47	175.80
France (92)	212.48	-0.3	184.05	160.30	180.90	184.01	0.3	2.65	213.14	194.02	160.16	180.26	183.40	215.68	181.01	181.01
Germany (59)	186.11	-0.8	169.97	140.41	158.45	158.45	-0.2	1.57	187.70	170.87	141.05	158.75	158.75	181.17	164.47	168.32
Hong Kong (58)	494.09	-0.6	451.24	372.75	420.65	491.05	-0.6	3.16	496.92	452.35	373.41	420.27	493.94	514.48	402.53	431.84
Indonesia (27)	247.08	1.6	225.65	186.40	210.35	359.50	1.5	1.44	243.15	221.34	182.71	205.64	354.18	-	-	-
Ireland (16)	317.57	-1.0	290.02	239.58	270.37	279.58	-0.7	3.28	320.67	291.91	240.97	271.21	281.50	333.22	254.35	255.18
Italy (58)	94.68	-0.8	86.47	71.43	80.61	112.78	-0.2	1.85	95.41	86.85	71.70	80.69	113.02	98.32	70.61	74.86
Japan (480)	112.21	-2.5	102.48	84.66	95.53	84.66	-2.2	0.91	115.15	104.82	86.53	97.39	86.53	164.68	112.21	151.22
Malaysia (107)	627.90	0.0	673.44	473.71	534.57	601.96	0.0	1.03	628.00	571.67	471.91	531.13	602.12	626.00	504.22	511.42
Mexico (27)	1338.48	0.4	1222.39	1009.76	1139.54	11458.36	0.5	0.96	1333.12	1213.54	1001.78	1127.48	11400.31	1364.02	1046.55	1203.04
Netherland (19)	331.33	-0.1	302.59	249.96	282.06	278.17	0.6	2.66	331.65	301.90	249.22	280.49	276.45	338.15	272.32	272.57
New Zealand (14)	91.59	-1.0	83.65	69.10	77.98	70.57	-0.4	3.95	92.48	84.19	69.49	78.22	70.83	95.60	75.94	77.81
Norway (41)	311.48	-0.2	284.48	234.99	265.16	274.52	-0.6	1.83	312.20	284.19	234.90	264.04	276.06	316.25	224.41	225.67
Philippines (22)	207.18	-0.8	189.21	156.30	176.39	271.96	-0.6	0.63	208.83	190.10	156.93	176.62	274.13	-	-	-
Singapore (43)	430.27	-1.1	392.95	324.61	366.32	279.16	-1.1	0.99	434.90	395.89	326.81	367.82	282.18	465.21	371.28	443.93
South Africa (44)	324.86	0.8	296.68	245.06	276.57	325.02	0.0	2.44	322.42	293.50	242.28	272.68	325.05	437.76	301.49	435.93
Spain (35)	213.85	-1.8	195.30	161.33	182.06	223.30	-1.3	2.80	217.74	198.21	163.62	184.15	226.23	228.16	161.62	162.82
Sweden (50)	420.30	-1.0	383.85	317.06	357.83	450.90	-0.4	1.97	424.54	386.46	319.02	359.06	452.91	432.49	295.31	295.76
Switzerland (35)	238.16	-0.8	217.51	179.68	202.77	208.87	0.1	1.33	239.50	218.02	179.97	202.56	208.56	254.34	219.29	219.77
Thailand (45)	101.15	-0.6	92.38	76.31	86.11	101.32	-0.6	3.39	101.79	92.66	76.48	86.09	101.90	193.95	81.23	185.62
United Kingdom (211)	274.71	-0.5	250.58	207.25	233.88	250.89	-0.2	3.79	276.05	251.29	207.44	233.47	251.29	283.17	224.39	225.82
USA (654)	311.83	-0.8	284.78	235.25	265.48	311.83	-0.8	1.89	314.19	286.00	236.10	265.72	314.19	320.60	253.30	253.30
Americas (823)	285.67	-0.7	260.90	215.52	243.21	240.17	-0.7	1.88	287.64	261.84	216.15	243.27	241.84	293.36	231.50	231.50
Europe (726)	237.15	-0.6	216.58	178.81	201.90	213.89	-0.1	2.72	238.62	217.22	179.31	201.81	214.12	242.22	198.39	198.39
Nordic (151)	365.99	-0.6	334.25	276.11	311.59	339.28	-0.5	1.67	369.11	336.00	277.37	312.17	340.94	375.85	265.96	266.11
Pacific Basin (874)	133.84	-2.0	122.33	101.05	114.03	100.90	-1.7	1.41	136.62	124.36	102.66	115.54	102.60	177.01	133.84	163.90
Euro-Pacific (1600)	176.94	-1.2	161.59	133.48	150.84	143.55	-0.8	2.15	178.10	163.04	134.59	151.47	144.71	191.51	176.40	178.16
North America (768)	304.85	-0.7	278.51	230.07	259.63	303.94	-0.7	1.89	307.10	279.56	230.77	259.73	306.10	313.26	247.07	247.07
Europe Ex. UK (515)	211.88	-0.7	193.50	159.85	180.39	190.00	-0.1	2.11	213.36	194.22	160.33	180.45	190.16	215.56	179.04	179.04
Pacific Ex. Japan (394)	313.84	-0.4	286.71	236.84	267.28	272.69	-0.3	2.72	315.09	286.83	236.78	266.49	273.53	320.65	268.97	281.77
World Ex. US (1813)	180.32	-1.1	184.69	136.04	153.52	149.39	-0.7	2.12	182.30	165.95	136.99	154.18	150.48	193.47	177.71	190.09
World Ex. UK (2256)	217.19	-1.0	198.35	163.85	184.91	190.63	-0.8	1.82	219.33	199.66	164.82	185.50	192.17	224.89	199.58	200.17
World Ex. Japan (1987)	278.23	-0.6	254.10	209.90	236.87	265.28	-0.5	2.22	273.97	254.85	210.39	236.79	267.54	283.89	231.09	231.09
The World Index (2467)	222.10	-0.8	202.83	167.56	189.09	195.08	-0.7	2.02	224.18	204.07	168.46	188.90	197.53	228.87	202.32	202.46

CONSTITUENT CHANGE 27/1/97: Name Change: Alco Standard Corp to IKON Office Solutions (USA). Market closed 27/1/97: Australia. Latest prices were unavailable for this edition.